CONSULTATION PAPER

P021 - 2017

November 2017

Proposed Payment Services Bill

Monetary Authority of Singapore

Contents

1 Preface

Background

1.1 The Monetary Authority of Singapore ("**MAS**") currently regulates various types of payment services under the Payment Systems (Oversight) Act (Cap. 222A) ("**PS(O)A**") and the Money-Changing and Remittance Businesses Act (Cap. 187) ("**MCRBA**"), enacted in 2006 and 1979 respectively. However, the payment services landscape has changed considerably in the past few years, presenting new risks that arise from activities beyond the current scope of the PS(O)A and MCRBA. New payment business models have also blurred the lines between activities regulated under these two Acts.

1.2 MAS proposes to enact a new payments legislation in the form of the proposed **Payment Services Bill** (the "**Bill**") to

(a) streamline payment services under a single legislation by combining the PS(O)A and the MCRBA;

(b) enhance the scope of regulated activities to take into account developments in payment services; and

(c) calibrate regulations according to the risks the activities pose by adopting a modular regulatory regime.

1.3 By regulating the payment activities along the payment value chain and mitigating attendant risks, MAS aims to promote greater confidence among consumers and merchants to adopt electronic payments ("**e-payments**").

1.4 The key proposals are grouped into three areas:

(a) implement a single payment services licence to regulate existing and new payment services;

(b) establish a regulatory structure for significant payment systems and retail payment services; and

(c) address regulatory risks and concerns.

1.5 **Annex A** sets out a list of questions asked in this paper. **Annex B**, which is in a separate document, sets out the proposed Bill. A Policy Highlights Sheet which summarises the key proposals for measures to protect consumers and merchants is available together with this consultation paper at this link.

1.6 MAS invites comments from:

a) Financial institutions – Banks, non-bank credit card issuers, operators, settlement institutions and participants of designated payment systems, money changers, remittance businesses, and holders of SVFs;

b) Broader payments industry – Payment system operators, merchant acquirers, payment gateway providers, FinTech firms including e-money issuers and virtual currency service providers;

c) Businesses – Large corporates, billing organisations (e.g. telecommunication and utility companies, town councils, and strata management corporations), small and medium businesses; and

d) Other interested parties – Members of the public, consumer associations, government agencies, law firms, trade associations, non-profit organisations, charities and other parties who may be impacted by or interested in the proposed review.

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the submission to MAS. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.7 Please submit written comments by 8 January 2018 to –

PSB Consultation
FinTech and Innovation Group
Monetary Authority of Singapore
10 Shenton Way, MAS Building
Singapore 079117
Fax: (65) 62203973
Email: psbconsult@mas.gov.sg

1.8 Electronic submission is encouraged. We would appreciate that you use this suggested format for your submission to ease our collation efforts.[1]

[1] If you are providing a PDF version of your response, we would be grateful if you could also send a Word copy of your response for our collation.

2 Introduction

2.1 In August 2016, MAS articulated strategies to promote e-payments in Singapore in the "Singapore Payments Roadmap"[2] report co-authored with KPMG. The report found that Singapore had the requisite components to be a best-in-class jurisdiction in the area of payments. The report also suggested enhancing Singapore's payments regulatory framework to achieve that end.

2.2 One key observation made was that new payment services enabled by evolving technology were falling outside of the existing regulatory frameworks despite presenting risks to the system as a whole. This resulted in a situation where consumers were adopting less secure services to make and receive payments. These included digital and online platforms that were exposed to sophisticated cyber criminals. Recent developments in FinTech have led to the convergence of payment and remittance services, making it necessary for MAS to modernise existing regulatory frameworks.

2.3 **It was recommended that MAS create a modular, consolidated activity and risk-based regulatory framework** to license, regulate and supervise all relevant segments of the payments ecosystem in Singapore for these reasons.

(a) A modular approach to regulation gives MAS the flexibility needed to meet evolving business models that might offer one, some or all parts of the payments value chain. This modular approach will allow payment service providers to access the Singapore market with legal certainty and greater flexibility to provide a wider spectrum of payment services. The regulation of payment services offered by retail payment service providers should be technology-neutral and based on payment activities rather than payment products. Payment activities should cover the relevant parts of the payments value chain, and include funds processing for consumers and merchants, merchant acquisition, remittance and the issuance of payment instruments.

[2] The Singapore Payments Roadmap may be accessed at the following MAS URL.
http://www.mas.gov.sg/~/media/MAS/News%20and%20Publications/Press%20Releases/Singapore%20Payments%20Roadmap%20Report%20%20August%202016.PDF

(b) A consolidated framework can encourage synergies in regulating new retail payment service providers together with payment systems and payment infrastructure via the amalgamation of the PS(O)A and MCRBA. Streamlining and strengthening the regulatory framework to include provisions that level the playing field could support the further development of innovations that increase efficiency and enhance user protection.

2.4 **The proposed Bill comprises two parallel regulatory frameworks. Part 4** sets out the proposals for the two regulatory regimes.

(a) **The first framework is a licensing regime that focuses on retail payment activities facing consumers and merchants.** Retail payment services that pose sufficient risk are identified for regulation under the licensing regime. Any entity that intends to provide retail payment services in Singapore will need to hold a licence (or be exempted from holding a licence) under the Bill. With many similar service providers, a licensing framework is appropriate to ensure a level playing field.

(b) **The second framework is a designation regime that focuses on payment systems** whose disruption would pose financial stability risks or impact confidence in the financial system. Such systems are likely to be inter-bank payment systems such as FAST, GIRO, and MEPS+. The designation regime will be expanded in the proposed Bill to also allow MAS to designate payment systems for competition or efficiency reasons.

2.5 **We propose that the Payment Services Bill adopt an activity-based approach, covering activities that (i) face either customers or merchants, or (ii) process funds or acquire transactions**. The activities regulated under the licensing regime are as follows.

(a) Activity A: Account issuance services;
(b) Activity B: Domestic money transfer services;
(c) Activity C: Cross border money transfer services;
(d) Activity D: Merchant acquisition services;
(e) Activity E: Electronic money ("**e-money**") issuance;
(f) Activity F: Virtual currency services;
(g) Activity G: Money-changing services.

2.6 'Money-changing' or Activity G is currently regulated under the MCRBA. We have made some refinements to the scope of "remittance business" and stored value facility" which are currently regulated under the MCRBA and PS(O)A respectively, which will now be covered under Activities C and E respectively. Activities A, B, D and F are new. **Part 3** sets out the activities proposed to be regulated under a single licensing regime.

2.7 Licensees offering retail payment activities will be grouped into three main licence classes, namely:

(a) Money-Changing licence;
(b) Standard Payment Institution licence; and
(c) Major Payment Institution licence.

2.8 **We propose that the regulation of licensees be calibrated according to their activities based on the risks or regulatory concerns that they pose**, namely:

(a) Money-Laundering and Terrorism Financing ("**ML/TF**");
(b) User protection;
(c) Interoperability; and
(d) Technology risk.

Part 5 sets out the proposed specific risk mitigating measures, as well as the general powers applicable to regulated entities under the Bill.

2.9 **The proposed Bill will retain the designation framework in the existing PS(O)A** to allow MAS to regulate payment systems that do not fall within the scope of licensable activities, but are of importance at the systemic or system-wide level. The designation criteria will also be broadened to include competition or efficiency reasons.

2.10 **Part 6** sets out the exemptions and transitional arrangements for existing financial institutions.

3 Activity-based Licensing Framework

Activities Regulated under the Licensing Framework

3.1 MAS published a consultation paper[3] on 25 August 2016 (the "**August 2016 Consultation**") to seek public views on the regulation of all payment activities in the payments ecosystem grouped into the following categories:

(a) Issuing and maintaining payment instruments, such as payment cards, payment accounts, electronic wallets, and cheques;
(b) Acquiring payment transactions, such as physical and online merchant acquisition services, merchant aggregators, and master merchants;
(c) Providing money transmission and conversion services, such as domestic and in-bound/out-bound cross border remittance services, currency-conversion services, and virtual currency intermediation services;
(d) Operating payments communication platforms, such as payment gateways, payment processors, and kiosks;
(e) Providing payment instrument aggregation services, such as payment card aggregation and bank transaction account aggregation;
(f) Operating payment systems which facilitate the transfer of funds through processing, switching, clearing, and/or settlement of payment transactions; and,
(g) Holding stored value facilities ("**SVF**"), such as prepaid cards and prefunded electronic wallets.

3.2 MAS has responded to the feedback received from the public in response to the August 2016 Consultation. MAS' response may be accessed at this link.

3.3 The feedback on the proposed activity-based payments framework was largely supportive. Respondents recognised that the current PS(O)A and MCRBA needed to be updated to take into account developments in the payments industry. However, MAS notes that respondents also shared concerns that the proposed areas of regulation were too broad. This might result in overregulation of the payments space, and stifle

[3] The consultation paper may be accessed at the following link.
http://www.mas.gov.sg/~/media/resource/publications/consult_papers/2016/Proposed%20Activity%20Based%20Payments%20Framework%20and%20Establishment%20of%20a%20National%20Payments%20Council.pdf

innovation. On the whole, most respondents supported a risk-based regulatory framework.

3.4 Taking into consideration the general consultation feedback that the proposed range of activities was too wide, we applied a risk-based approach to identify payment activities that pose sufficient risk to warrant regulation.

3.5 **MAS has identified the activities that posed a combination of the risks that are most crucial to address in building a simple, secure, and accessible payments ecosystem.** We explain these risks below.

(a) The risk that the payment activity may be used for money-laundering and terrorism financing should be mitigated.

(b) Consumers and merchants that contract with service providers of that payment activity may not be adequately protected, such as from disputes arising from erroneous or fraudulent transactions. Purchasers of e-money may not be adequately protected from the insolvency of the e-money issuer.

(c) We may need to impose interoperability measures on certain payment service providers when they reach certain scale in order to reduce fragmentation and enhance confidence in acceptance of e-payments. If key customer facing payment services do not interoperate, consumers will not have a simple and standardised experience, which is important to promote growth and development of the e-payments ecosystem.

(d) The technology risk faced by e-payment activities needs to be managed. This is where security of the payment service should be enhanced through technology risk governance and implementation of adequate controls in areas such as user authentication, data loss protection and fraud monitoring and detection.

3.6 **To target activities that have a clear retail payments nexus, we have also applied the following lens**:

(a) The regulated activities are those where the service provider processes funds or acquires transactions for merchants. This ensures that we regulate only services that have a direct payments nexus. Service providers that process only data (e.g. payment instructions) and not funds will be treated as outsourcing services. For this reason, we will not require providers of

payment instrument aggregation services and data communications platforms to be licensed under the Bill.

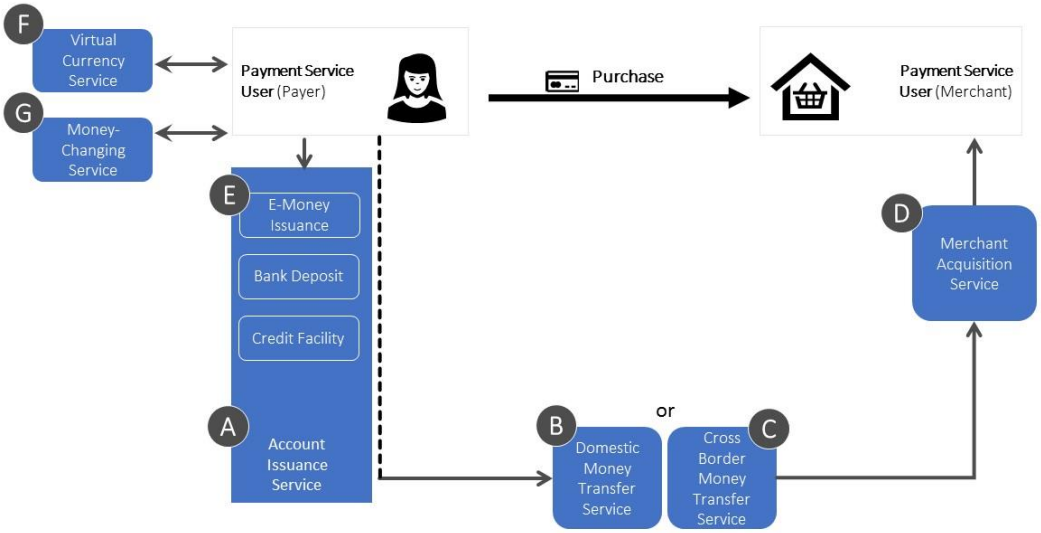
(b) The service providers in each regulated activity deal or contract directly with the consumer or the merchant. We have streamlined the activities to those that have a direct impact on consumers or merchants (through a contractual relationship or arrangement). Services provided exclusively to other payment service providers and financial institutions ("**FIs**") like banks fall outside the ambit of retail services. However, the payment systems through which these services are provided may be designated for regulation if they pose financial stability risks. Examples of such important payment systems are infrastructure such as FAST and MEPS+.

3.7 **Based on the above considerations, we propose to regulate these activities under the licensing framework**.

(a) Activity A: Account issuance services
(b) Activity B: Domestic money transfer services
(c) Activity C: Cross border money transfer services (i.e. remittance business)
(d) Activity D: Merchant acquisition services
(e) Activity E: E-money issuance
(f) Activity F: Virtual currency services (i.e. virtual currency intermediation)
(g) Activity G: Money-changing services

3.8 **Illustration 1** shows how the proposed regulated activities interact with each other, merchants and consumers in a typical payments transaction.

Illustration 1: Proposed Regulated Activities



3.9 **To explain the scope of each regulated activity, we have set out in Table 1** a brief description of each proposed regulated activity. Please refer to the proposed Bill in **Annex B** for the full description of each regulated activity and the definitions that are used in those descriptions.

Table 1: Brief Description of Regulated Activities

Activity Type	Brief Description
Activity A **Account issuance services**	Issuing, maintaining or operating a payment account in Singapore, such as an e-wallet[4] or a non-bank credit card.

[4] Cash withdrawals from e-wallets will be prohibited, unless the e-wallet is used solely for Activity C or solely for Activity G, and the withdrawal is solely for the purpose of executing an Activity C or Activity G transaction respectively.

Activity Type	Brief Description
Activity B **Domestic money transfer services**	Providing local funds transfer services in Singapore. This includes payment gateway services and payment kiosk services.
Activity C **Cross border money transfer services**	Providing inbound or outbound remittance services in Singapore.
Activity D **Merchant acquisition services**	Providing merchant acquisition services in Singapore. This is where the service provider contracts with a merchant to accept and process payment transactions, which results in a transfer of money to the merchant. Usually the service includes providing a point of sale terminal or online payment gateway.
Activity E **E-money issuance**	Issuing e-money in Singapore to allow the user to pay merchants or transfer e-money to another individual.
Activity F **Virtual currency services**	Buying or selling virtual currency, or providing a platform to allow persons to exchange virtual currency in Singapore.
Activity G **Money-changing services**	Buying or selling foreign currency notes in Singapore.

3.10 The risks identified for each type of activity and overview of risk mitigating measures are set out in **Table 2**.

Table 2: Risk Identification and Risk Mitigation Measures

Activity	ML/TF	User Protection	Interoperability	Technology Risk
Activity A **Account issuance services**	Anti-Money Laundering and Countering the Financing of Terrorism ("**AML/CFT**") requirements for certain providers	Protection of Access to funds	Access Regime, Common Platform, Common standards	Technology Management Guidelines apply e.g. technology risk governance, user authentication, data encryption, fraud

Activity B Domestic money transfer services	AML/CFT requirements for certain providers	Safeguarding of Funds in Transit	-	monitoring and detection, protection against distributed denial of service attacks
Activity C Cross border money transfer services	AML/CFT requirements for certain providers	Safeguarding of Funds in Transit	-	
Activity D Merchant acquisition services	-	Safeguarding of Funds in Transit	Access Regime, Common Platform, Common standards	
Activity E E-money issuance	-	Safeguarding of Float	-	
Activity F Virtual currency services	AML/CFT requirements for all providers	-	-	
Activity G Money-changing services	AML/CFT requirements for all providers	-	-	

3.11 Entities that provide payment services which are related and incidental to other businesses which they carry on must also obtain a license to provide such payment services. This is unless the entity has been exempted from holding a licence to conduct that payment activity, or if MAS has specifically excluded the payment activity from the regulatory ambit of the Bill, through the relevant schedule to the Bill or other exercise of MAS' regulatory powers.

Question 1. Activities regulated under the licensing regime. MAS seeks comments on the scope of activities selected for regulation under the licensing regime, including whether incidental payment services[5] should be regulated. MAS also seeks views on whether the risks and considerations identified for retail payment services are suitable.

E-Money and Virtual Currencies

3.12 **We explain the distinction between Activity E and Activity F as it is important to distinguish between e-money and virtual currency.** A payment account may take the form of an e-wallet. An e-wallet is funded with e-money. This e-money is denominated in fiat currency. This is an important distinction from virtual currency. E-money is defined as electronically stored monetary value represented by a claim on the e-money issuer that has been paid in advance for the purpose of making payment transactions through the use of a payment account and is accepted by another person other than the e-money issuer. A consumer purchases e-money from a business to enable him to make money transfers to participating individuals or purchase goods or services from merchants which accept such e-money.

3.13 **Virtual currency is defined as any digital representation of value that is not denominated in any fiat currency and is accepted by the public as a medium of exchange, to pay for goods or services, or discharge a debt.** Virtual currency transactions, given their anonymous nature, are particularly vulnerable to ML/TF risks. MAS will therefore introduce AML/CFT requirements to be imposed on virtual currency intermediaries that deal in or facilitate the exchange of virtual currencies for real currencies:

(a) Dealing in virtual currency, which is the buying or selling virtual currency. This involves the exchange of virtual currency for fiat currency (e.g. Bitcoin for USD, or USD for Ether) or another virtual currency (e.g. Bitcoin for Ether).

[5] These are payment services which are related and incidental to any other businesses an entity carries on.

(b) Facilitating the exchange of virtual currency. This involves establishing or operating a virtual currency exchange where participants of the exchange may use such a platform to exchange or trade virtual currency.

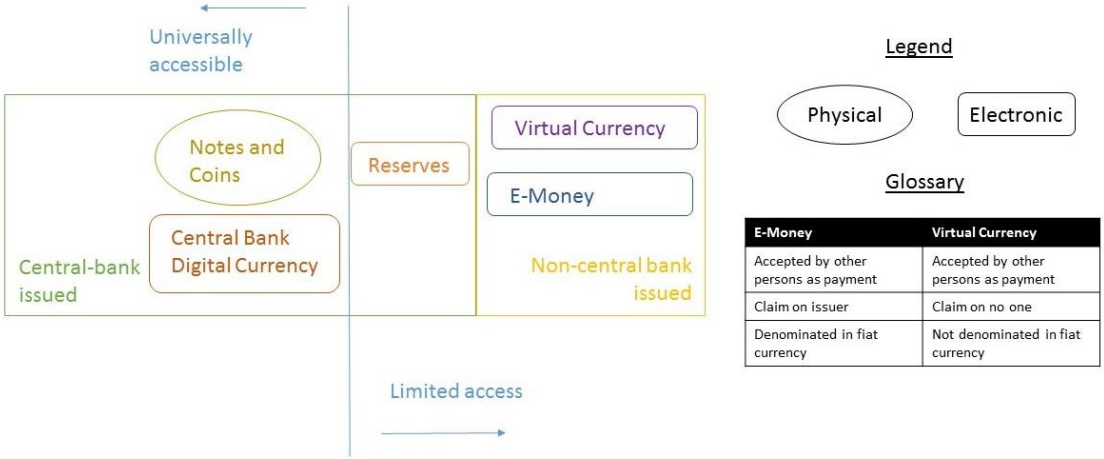
AML/CFT requirements imposed will include the identification and verification of customer and beneficial owner, ongoing monitoring, screening for ML/TF concerns, suspicious transaction reporting and record keeping.

3.14 **We highlight that the virtual currency service provider must process funds or virtual currency.** This is to exclude mainstream online marketplaces and social media platforms from the proposed regulatory ambit, as they do not pose the same potential ML/TF risks that virtual currency exchanges pose. These marketplaces and social media platforms only act as information exchanges. Virtual currency exchanges that meet the funds possession criteria will need to hold a payment services licence. These include exchanges that originate from initial coin offerings ("**ICOs**"), where the ICO issuer provides virtual currency services.

3.15 The full definitions of virtual currency and e-money are set out in the proposed Bill in **Annex B**.

3.16 **Illustration 2** shows the relationship between different types of stored value and central bank issued money.

Illustration 2: Currency related terms



E-Money	Virtual Currency
Accepted by other persons as payment	Accepted by other persons as payment
Claim on issuer	Claim on no one
Denominated in fiat currency	Not denominated in fiat currency

Question 2. **Scope of e-money and virtual currency.** MAS seeks comments on whether the definitions of e-money and virtual currency accord with industry understanding of these terms. MAS also seeks comments on whether monetary value that is not denominated in fiat currency but is pegged by the issuer of such value to fiat currency should also be considered e-money.

Question 3. **Virtual currency services.** MAS seeks comments on whether the scope of virtual currency services is suitable given that our primary regulatory concern in the Bill is that virtual currencies may be abused for ML/TF purposes.

Excluded Activities

3.17 **There are payment activities that do not pose sufficient risk to warrant regulation under the licensing regime.** The regulated activities are drafted broadly to allow the Bill to adapt to new technologies and business models. However, this means that the definitions of the regulated activities inadvertently catch activities that do not pose sufficient risk to warrant regulation. We therefore propose to carve out certain activities from the regulatory ambit of the Bill. The activities to be carved out are set out in certain definitions such as “e-money” and “virtual currency” as well as in schedules to the Bill in **Annex B**.

3.18 **The three most significant carve-outs are the exclusion of limited purpose e-money, limited purpose virtual currency and incidental or necessary payment activities**

carried out by any person regulated or exempted under the Securities and Futures Act (Cap. 289) ("SFA"), Financial Advisers Act (Cap. 110) ("FAA"), Trust Companies Act (Cap. 336) ("TCA") and Insurance Act (Cap. 142) ("IA"). We propose to exclude e-money and virtual currency that are limited in user reach from the regulatory ambit of the Bill ("**limited purpose e-money**" and "**limited purpose virtual currency**" respectively). Services based on stored value that have limited user reach pose significantly less risk than services based on other types of e-money and virtual currency. We explain these three types of exclusions below in detail.

Significant Excluded Activity 1: Limited Purpose E-Money

3.19 **The stored value that falls within the scope of limited purpose e-money will not be considered e-money.** Any payment service provided by any person in respect of such stored value (including the issuance of such stored value) will thus not be regulated in the Bill.

3.20 The risks we have identified for e-wallets are ML/TF, technology risk, and safeguarding of e-money float as a form of user protection. Our assessment is that if the use, reach and capability of the e-wallet is sufficiently limited or restricted, the provision of such an e-wallet poses lower risks. Both the e-wallet and monetary value stored on the e-wallet should be carved out of our regulatory ambit.

3.21 **We propose to carve out value stored on e-wallets that is, or is intended to be used only in Singapore, <u>and</u> satisfies any of the following characteristics**. We have assessed that value stored on e-wallets with these characteristics carry low ML/TF risks and are limited in consumer reach.

(a) It is used for payment or part payment of the purchase of goods from the issuer or use of services of the issuer, or both (i.e. single entity shop issuing its own vouchers e.g. spas, restaurants, bookshops);

(b) it is used only within a limited network of franchisees [6] or related companies; or

(c) all the monetary value stored in the e-wallet is issued by a public authority,[7] or a public authority has undertaken to be fully liable for or provided a

[6] Please refer to the proposed Bill for the definition of "franchise".

[7] "Public authority" means —

guarantee in respect of all the monetary value stored in the e-wallet, in the event of default by the issuer.

3.22 **We also propose to exclude e-money that is used in loyalty programs.** In some loyalty programs, the loyalty rewards are given in the form of e-money. We propose to exclude such e-money from the ambit of the Bill. Australia has a similar carve-out.[8] Electronically stored monetary value in any payment account that has all the following criteria will be considered loyalty programs and value that is stored on such facilities will not be regulated under the Bill:

(a) It is denominated in any currency;
(b) it is issued by an issuer as part of a scheme, the dominant purpose of which is to promote the purchase of goods from, or the use of services of, the issuer, or by such merchants as may be specified by the issuer;
(c) it is issued to a user as a result of the user purchasing goods from, or using the services of, the issuer, or such merchants as may be specified by the issuer;
(d) it is used for the payment or part payment of the purchase of goods or use of services, or both;
(e) it is not part of a financial product;
(f) it cannot be withdrawn by the user from the payment account in exchange for currency; and
(g) it cannot be refunded entirely to the user where the electronically stored monetary value is more than S$100, unless the issuer identifies and verifies the identity of the user requesting the refund.

3.23 Facilities that allow cash withdrawal without first identifying and verifying the user will not be considered loyalty programs. The operators of such facilities will be regulated for ML/TF risks.

(a) the Government, including any ministry, department and agency of the Government, or an organ of State; or

(b) any statutory body;

[8] The ASIC Corporations (Non-Cash Payment Facilities) Instrument 2016/11.

Question 4. **Limited purpose e-money.** MAS seeks comments on whether the scope of the limited purpose e-money exclusion sufficiently carves out most types of stored value where user reach is limited, is not pervasive and ML/TF risks are low.

Question 5. **Loyalty programs as limited purpose e-money.** MAS seeks views on whether there are other characteristics of a loyalty program that should be included in the exclusion.

Significant Excluded Activity 2: Limited Purpose Virtual Currency

3.24 **We propose to exclude types of virtual currency that are limited in user reach and scope of use as services based on these types of virtual currency pose less of a risk than widely used virtual currency such as Bitcoin and Ether.** Any activity that processes such limited purpose virtual currency will thus not be regulated in the Bill.

3.25 We have identified that in-game assets and loyalty points should be excluded provided that they:

(a) are not returnable, transferable, or capable of being sold to any person in exchange for money; and

(b) are media of exchange that are, or are intended to be, as the case may be—

(i) used only for payment of or part payment of, or exchange for, goods or services, or both, provided by the issuer of the digital representation of value, or provided by such merchants as may be specified by the issuer; or

(ii) used only for the payment of or exchange for virtual objects or virtual services, or any similar thing within, or as part of, or in relation to an online game.

3.26 Loyalty points (not denominated in fiat currency) that are used in loyalty programs are also excluded, provided they meet all the following conditions:

(a) they are issued by an issuer as a part of a scheme, the dominant purpose of which is to promote the purchase of goods from, or the use of services of, the issuer, or by such merchants as may be specified by the issuer;

(b) they are issued to a person as a result of the person purchasing goods from, or using the services of, the issuer, or such merchants as may be specified by the issuer;

(c) they are used for payment or part payment of, or exchange for, goods or services, or both goods and services; and

(d) are not part of a financial product.

Question 6. Limited purpose virtual currency. MAS seeks comments on whether the proposed exclusion covers most types of virtual currency that are limited in user reach. If there are more types of such limited purpose virtual currencies that should be excluded, please let us know the names or characteristics of such virtual currencies.

Significant Excluded Activity 3: Regulated Financial Services

3.27 **The third significant carve out is the regulated financial services exclusion.** We have proposed to carve out any payment service that is provided by any person regulated or exempt under the SFA, FAA, TCA and IA that is solely incidental to or necessary for the carrying on of any regulated activity under these Acts. This is to more easily facilitate the provision of financial services under these Acts that are not closely related to payment services. We have proposed wider and more targeted exemptions for banks, merchant banks, finance companies and non-bank credit cards or charge card issuers, which are set out in **Part 6** of this paper.

Question 7. Regulated financial services exclusion. MAS seeks comments on the scope of the regulated financial services exclusion and in particular, whether other types of regulated financial services should be included. Please be specific in your response on what these types of financial services are, and which legislation they are regulated under.

Question 8. Excluded activities. MAS seeks comments on the other proposed excluded activities, in particular whether the description of the activities is sufficiently clear and whether more activities should be excluded. Please provide clear reasons to substantiate your comments on other activities that in your view should be excluded. Where referring to another jurisdiction's legislation, please provide us with the full name of the legislation and specific provision number.

4 Licensing and Designation Regimes

4.1 **We explained that we have taken a risk-based approach in selecting the retail payment activities for licensing.** The regulated entities are those that deal directly with the merchant or consumer and process funds or acquire transactions. These entities must conduct activities that pose a combination of the four key retail payment risks or concerns identified (ML/TF, user protection, interoperability, and technology risk). Interbank payment services such as payment card schemes and clearing and settlement systems are not considered licensable activities. However, these interbank payment services pose other risks, chiefly financial stability risks and competition concerns that are better addressed through a designation framework. For these reasons we propose to have two frameworks in the Bill, a licensing regime to regulate retail payment services and a designation framework to regulate interbank payment services.

Licensing Regime

4.2 **Under a single modular activity-based regulatory framework,** a retail payment service provider that is regulated under the Bill ("**licensee**") would only need to hold a single licence to conduct any or all of the regulated activities. This single licence will permit a licensee to undertake specific activities as set out in its licence. Multiple licences will not be required for different payment activities. If the licensee conducts more payment activities than originally applied for, it must seek MAS' approval to conduct other payment activities. The licensee is not required to hold separate licences to conduct each payment activity. The single licence proposal was well received by the industry, as seen from the feedback to the August 2016 Consultation, and has been incorporated into the Bill.

4.3 **We note from feedback to the August 2016 Consultation that there were concerns that MAS may overregulate in the Bill and subject small entities such as FinTech start-ups to unduly burdensome regulatory requirements**. We have taken into account this concern and considered if it would be necessary to regulate payment activities carried out by small entities. Weighing against the developmental concern that Singapore should be a competitive payments hub, we assessed that only the ML/TF risks are currently significant enough to warrant regulation of small payment institutions.

4.4 **We propose to exclude smaller entities from requirements on technology risk, user protection, and interoperability requirements, and only subject them to AML/CFT and general requirements**.

4.5 **There will be three classes of licences that an entity can apply for under the Bill.** A payment service provider may apply to be a

a) Money-Changing Licensee;
b) Standard Payment Institution, or
c) Major Payment Institution.

4.6 A Money-Changing Licensee may only provide money-changing services. Standard Payment Institutions and Major Payment Institutions may provide any regulated service under the Bill.

4.7 **Only a Major Payment Institution may carry out payment services above any of the following thresholds.**

a) Accepting, processing, or executing a monthly average of transactions (including all payment transactions) above S$3 million in a calendar year;[9] or
b) Holding an average daily e-money float above S$5 million in a calendar year.

4.8 A Standard Payment Institution that wishes to upgrade its licence to a Major Payment Institution licence will need to apply for a variation of licence before the thresholds are breached. Likewise, a Money-Changing Licensee must apply to MAS to vary its licence to carry out other regulated activities. We clarify that at all times, the payment service provider will only need to hold one licence to conduct regulated activities.

4.9 The thresholds we have proposed are similar to those used in the payments legislation of other jurisdictions.[10] We assessed based on transaction volume and e-money float data made available to us that similar thresholds are appropriate for the Singapore context.

[9] Money-changing transactions do not count towards the threshold.

[10] For example, the payment transaction and e-money float thresholds in the UK are 3 million euros and 5 million euros respectively.

4.10 We have also considered whether we should use different transaction volume thresholds for different regulated activities under the Bill to determine the size of the payment service provider, and therefore the class of licence the payment service provider should hold. We found it appropriate to use only one transaction volume threshold as a determining factor regardless of what regulated activity the payment service provider carries out. The average monthly transaction volume that the payment service provider handles is reflective of the total amount of funds that the payment service provider is responsible for. If the payment service provider is responsible for the processing of a large amount of funds, it should be more closely supervised as a Major Payment Institution. This is regardless of whether the payment service provider carries out one or more payment activities in the same value chain, and what specific payment activity the payment service provider carries out. In short, it is the sum of the funds that the payment service provider handles that determines its size, and not the number of payment activities (or type of activities) it carries out.

Question 9. Single licence structure. MAS seeks comments on the proposed single licence structure and whether this approach is beneficial for potential licensees. MAS also seeks views on the proposal to regulate Standard Payment Institutions primarily for ML/TF risks only.

Question 10. Three licence classes. MAS seeks comments on the three proposed licence classes and whether the threshold approach to distinguishing Standard Payment Institutions and Major Payment Institutions is appropriate. MAS also seeks views on whether the threshold amounts proposed are suitable for the purposes of licence class determination.

Designation Regime

4.11 **We propose to largely retain the existing PS(O)A designation regime in the new Bill**. Currently, MAS has powers to designate any payment system for regulation under the PS(O)A. The reasons for requiring powers to designate payment systems that might not fall under our licensing criteria but have a financial stability impact are still valid. For example, inter-bank services provided through FAST or MEPS+ do not directly impact consumers and merchants nor pose the risks identified for licensable activities. However, MEPS+ is a systemically important payment system and a disruption in the operations of MEPS+ could trigger systemic disruption to the financial system in Singapore.

4.12 As explained in Part 3, we will expand the current designation criteria to allow MAS to designate payment systems to be regulated for competition reasons. The new designation criteria is as follows:

> "*where the payment system is widely used in Singapore or its operations may have an impact on the operation of one or more payment systems in Singapore, it is necessary to ensure efficiency or competitiveness in any of the services provided by the operator of the payment system*".

Question 11. Designation criteria. MAS seeks comments on the proposed new designation criteria.

5 Key Requirements and Powers

5.1 **We explained our proposal to regulate under a licensing regime the retail payment services that pose sufficient ML/TF risks, user protection concerns, technology risks, and interoperability concerns.** To mitigate these risks, we propose to subject licensees to activity-specific risk mitigating measures. To avoid overregulation, such measures will be imposed on licensed entities only where they conduct regulated services that pose the relevant risk. For example, payment service providers who only provide cross border money transfer services will only have to comply with ML/TF and user protection requirements.

5.2 In addition, licensees will be subject to general requirements in the Bill and requirements imposed under MAS' general powers under the Bill.

(a) Licensing and business conduct requirements are baseline requirements that all licensed entities have to comply with. We expect all licensed entities to be able to meet these requirements in order to operate prudentially and offer safe and sound payment services. The standard requirements for Money-Changing Licensees will be retained from the current MCRBA regime.

(b) There are also general powers under the Bill that are common in MAS-administered legislation such as inspection powers, powers to issue regulations and directions, and penal powers relating to offences. The general powers under the Bill will apply to designated entities as is the case in the current PS(O)A.

Licensing and Business Conduct Requirements

5.3 **Licensing and business conduct requirements apply to licensees under the Bill. We propose to require that an applicant for a payment services licence (except for a Money-Changing Licence[11]) fulfils the following criteria**.

(a) The applicant must be a company (incorporated in Singapore or overseas).

[11] Money-Changing Licensees need not be incorporated.

(b) The applicant must have a permanent place of business in Singapore or if the business is carried on without a permanent place of business, a registered office in Singapore. An applicant must appoint a person to be present at the permanent place of business or registered office of the applicant on the days and at the hours during which the place or office is to be accessible to the public to address any issues or complaints from any payment service user who is a customer of the applicant. An applicant must also keep, or cause to be kept, at the permanent place of business or registered office, as the case may be, books of all his or its transactions in relation to any payment service the applicant provides.

(c) The applicant must have at least one Singapore citizen or Singapore Permanent Resident executive director. We note from the consultation feedback that there was a fair amount of concern regarding how MAS will treat foreign companies (companies based overseas or companies incorporated overseas) and foreign directors under the Bill.

5.4 To manage the scope of MAS' regulatory ambit of payment services online, we will **prohibit any person that does not hold a payment services licence** (or exemption) from:

(a) **soliciting for any payment service regulated under the Bill**; and
(b) **holding itself out as a licensee under the Bill**.[12]

5.5 **Licensing requirements apply to licensees under the Bill. We propose to require that all licensees (except Money-Changing Licensees) hold minimum paid up capital on an ongoing basis for operational reasons**, to ensure that they have sufficient capital to operate and manage the risks of a payment service. Major Payment Institutions will also need to comply with security deposit requirements. As Standard Payment Institutions and Money-Changing Licensees are regulated primarily for ML/TF risks, these licensees need not furnish such security deposits.

5.6 **The proposed capital requirement and security deposit are as follows.** They are benchmarked against the existing amounts in the PS(O)A and MCRBA.

(a) Capital requirement: S$100,000, or higher as prescribed

[12] There are currently similar provisions in the PS(O)A (sections 31 and 32).

(b) Security deposit: S$100,000, or higher as prescribed

5.7 **We benchmarked the minimum capital requirement of S$100,000 to the capital requirement for remittance agents in the MCRBA**. Our view is that S$100,000 is a reasonable amount to be set aside as minimum operating capital. We propose to have powers to prescribe the minimum capital of S$100,000 or such higher amounts. However, to address concerns that the capital requirements may be onerous, we take reference from other MAS-administered legislation such as the SFA[13] and the FAA, and it is unlikely that we will require the licensee to hold capital exceeding those in other legislation.

Question 12. Licence and business conduct requirements. MAS seeks comments on the proposed licence and business conduct requirements. In particular, MAS seeks comments on whether the proposed capital and security deposit requirements are suitable. MAS would also like to know if there are concerns regarding the directorship and place of business requirements, and whether these measures will encourage businesses to set up in Singapore.

[13] The range of base capital requirements in the SFA is from S$50,000 to S$5 million; in the FAA this is S$150,000 or S$300,000, depending on the activity conducted.

Specific Risk Mitigating Measures

5.8 **Specific risk mitigating requirements apply to licensees under the Bill where the licensee conducts a regulated activity that poses the relevant risk.** We will impose the following types of specific risk mitigating measures on relevant licensees.

(a) AML/CFT measures
(b) User protection measures
(c) Powers to impose interoperability measures
(d) Technology risk management measures

5.9 We will set out the proposals for each type of risk mitigating measure in the rest of this Part. In each set of proposals, we will also set out the types of licensees or payment activities that the proposed measures are intended to apply to.

5.10 To summarise, the AML/CFT measures will apply to all three classes of licensees (Money-Changing licence, Standard Payment Institution licence, and Major Payment Institution licence). The other types of specific risk mitigating measures will apply only to Major Payment Institutions.

Question 13. Specific risk migrating measures. MAS seeks comments on the approach of imposing specific risk mitigating measures on only licensees that carry out the relevant risk attendant activity.

Specific Risk Mitigating Measure 1: AML/CFT

5.11 **AML/CFT requirements will be imposed on the relevant licensees through notices issued under the Monetary Authority of Singapore Act (Cap. 186)** ("**MAS Act**") as is the case for existing AML/CFT requirements. Key risks posed by payment services include cross-border ML/TF, anonymous cash-based payment transactions, structuring of payments to avoid reporting thresholds, and layering or fund-raising for ML/TF purposes.

5.12 **The activities that carry ML/TF risks are Activities A, B, C, F and G**, as shown above in **Table 2**. Current international practices do not suggest that we need to regulate Activities D (merchant acquisition) and E (e-money issuance) for ML/TF risks at this point. As such, we will not apply AML/CFT measures to licensees carrying out these activities for now.

5.13 Where a licensee confines its business model to conduct only low risk transactions, no AML/CFT requirements will apply to such a licensee. Please see **Table 3** for services with low risk product features.

Table 3: Services Assessed to be Low Risk

Activity	Low risk features
Activity A **Account issuance services**	Issuing payment accounts that: (a) Do not allow physical cash withdrawal; (b) Do not allow physical cash refunds above S$100, unless the payment institution performs identification and verification of sender; and (c) Do not have an e-wallet capacity (i.e. load limit) that exceeds S$1,000.
Activity B **Domestic money transfer services**	Services that only allow the payment service user to perform the following transactions: (a) Payment for goods or services and where payment is funded from an identifiable source (being an account with a FI regulated for AML/CFT); (b) Payment for goods or services and where the transaction is under S$20,000; or (c) Payment is funded from an identifiable source and where the transaction is under S$20,000.
Activity C **Cross border money transfer services**	Services where the payment service user is only allowed to pay for goods or services and where that payment is funded from an identifiable source.

5.14 **There is no sub-set of low risk services under Activity F (Virtual Currency Services)** as such services carry higher inherent ML/TF risks due to the user's ability to transmit money pseudonymously. This view is consistent with that of the Financial Action Task Force ("**FATF**").

5.15 **All entities that carry on Activity G (Money-changing Services) will need to be licensed, primarily for AML/CFT reasons**; there will be no entity-level low risk exemptions. That said, the existing transaction-level exemption for money-changers under the current regime will be retained, where a money-changer need not conduct Customer Due Diligence ("**CDD**") on the customer for a cash transaction of an aggregate

value of less than S$5,000 per customer. We will additionally not require a money-changer to conduct CDD on the customer for a transaction funded from an identifiable source, with an aggregate value of under S$20,000 per customer.[14]

5.16 For licensees that facilitate transactions aside from or that extend beyond those in Table 3, AML/CFT requirements would include the following:

(a) identification and verification of customer and beneficial owner;[15]
(b) ongoing monitoring including transactions monitoring;
(c) screening of customers for ML/TF concerns; and
(d) suspicious transaction reporting and record keeping.

5.17 These are similar to the AML/CFT requirements currently imposed on FIs. The requirements may be applied in varying degrees of intensity and frequency, depending on the risk profiles of the customers or transactions.

5.18 **All entities are reminded of their obligations in respect of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A) ("CDSA"), the Terrorism (Suppression of Financing) Act ("TSOFA"), and relevant United Nations ("UN") Regulations.** These obligations, including the prohibition against dealing with designated individuals and entities and to report suspicious transactions, are separate and in addition to the AML/CFT requirements imposed by MAS.

5.19 Licensees should refer to the Inter-Ministerial Committee on Terrorist Designation's website for more information[16] on the TSOFA, the Commercial Affairs Department's website for more information[17] on the CDSA and the reporting of suspicious

[14] Provided that the licensee has put in place and implemented adequate systems and processes, commensurate with the size and complexity of the licensee, to monitor its business transactions and to detect and report suspicious, complex, or unusually large or unusual patterns of business transactions.

[15] Beneficial owner refers to the natural person who ultimately owns or controls a customer or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. A beneficial owner may therefore be different from a beneficiary who is the recipient of the funds. The beneficiary refers to the natural or legal person or legal arrangement who is identified by the originator as the receiver of the requested wire transfer.

[16] https://www.mha.gov.sg/Pages/Inter-Ministerial-Committee---Terrorist-Designation-%28IMC-TD%29-.aspx

[17] http://www.police.gov.sg/about-us/organisational-structure/specialist-staff-departments/commercial-affairs-department/aml-cft/suspicious-transaction-reporting-office/suspicious-transaction-reporting

transactions, and MAS' website for more information[18] on sanctions requirements in relation to UN-designated individuals and entities.

5.20 For avoidance of doubt, where the exemption to a licensee is premised on the transactions being limited to the "payment for goods and services", the payment should be made to a beneficiary that is a merchant. Where the service also facilitates the movement of funds between accounts or e-wallets tied to individuals, or where the beneficiary cannot be clearly established to be a merchant, such a service would not be considered one that is solely for the "payment of goods and services". Depending on the activity the transaction falls under, this may attract AML/CFT requirements.

Question 14. AML/CFT requirements. MAS seeks comments on the proposed AML/CFT requirements, and whether the thresholds to trigger AML/CFT requirements are appropriate. MAS also seeks views on how payment service providers will distinguish bona fide payment for goods and services from peer-to-peer transactions. Please also provide your views on whether payments made to individuals selling goods on e-commerce platforms should also be considered payments for goods and services, and thereby potentially be exempted from AML/CFT requirements.

Specific Risk Mitigating Measure 2: User protection

5.21 We propose to impose the following types of user protection measures:

(a) Safeguarding of e-money float (applicable to Activity E);
(b) Safeguarding of funds in transit (applicable to Activity B, C and D);
(c) Protection of personal use wallets (applicable to Activity A); and
(d) Protection of access to funds (applicable to Activity A).

5.22 **Requirements on safeguarding of e-money float, funds in transit, and protection of personal use wallets are set out in the Bill. We will in the upcoming months publish a separate consultation paper on guidelines for the protection of access to funds to standardise user liability caps, notification requirements and fraud and error resolution processes for e-payments.**

[18] http://www.mas.gov.sg/Regulations-and-Financial-Stability/Anti-Money-Laundering-Countering-The-Financing-Of-Terrorism-And-Targeted-Financial-Sanctions/Targeted-Financial-Sanctions.aspx

5.23 Under the PS(O)A, an SVF held by approved widely accepted SVF holders must be safeguarded with an approved bank which undertakes to be fully liable for the float. The Bill has similar safeguarding requirements imposed on e-money issuers, to protect consumers' funds in the event of insolvency. The threshold for safeguarding of e-money will be reduced from the level prescribed under the PS(O)A to enhance protection of consumers' funds under the Bill. Under the PS(O)A, float protection is required for stored value in a float greater than S$30 million. The Bill will require safeguarding of all e-money in a float held by any Major Payment Institution. Only Major Payment Institutions may hold an average daily float of above S$5 million.

5.24 **The scope of e-money is slightly different from stored value in an SVF**. Stored value is limited to pre-payment for goods and services. E-money does not have this restriction; it may be used for purchases as well as peer-to-peer transfers. However, e-money does not include limited purpose e-money (as explained above).

5.25 **We propose that safeguarding requirements only apply to the e-money float that is collected from Singapore residents** (with residency as to be agreed between the e-money issuer and the e-money user). This is to right-size the compliance burden of global e-money issuers, which also maintain float of e-money issued worldwide.

5.26 **We will give the e-money issuer more options to meet the safeguarding requirements.** Under the PS(O)A, only banks in Singapore are approved and allowed to provide the undertaking to be fully liable for the stored value of the SVF and the relevant bank has to separately apply to MAS for approval to play such a role. The approved bank is subject to requirements,[19] such as providing timely refunds, ensuring users' legal right of recourse and adequately notifying users of its liability. The approved bank regime will no longer be required under the Bill.

5.27 The range of safeguarding options made available to the e-money issuer will be wider than in the PS(O)A. The safeguarding options adopted would have to be clearly disclosed to the consumer. The e-money issuer will be required to safeguard the e-money float in any one or a combination of the following ways:

[19] PSOA-N01: Notice on responsibilities of approved banks

(a) The float is covered by an undertaking from any full bank which is fully liable to the e-money users for such moneys;
(b) The float is guaranteed by any full bank;
(c) The float is deposited in a trust account with any full bank no later than T+1;[20]
(d) The float is deposited in a trust account with an authorised custodian specified or prescribed by MAS no later than T+1; or
(e) The float is invested in any secure, liquid, and low risk assets as MAS may prescribe, no later than T+1, and the assets are deposited in a trust account with an authorised custodian prescribed or specified by the Authority.

5.28 **We also propose to impose the same safeguards for funds in transit.** Funds in transit are described in the Bill as relevant moneys received from customers that need to be safeguarded. These are funds that are received from a payment user by the licensee for the provision of the payment services in respect of Activities B, C and D. The safeguarding measures will be imposed on licensees carrying on Activities B, C and D. These measures protect the payment user (either the consumer or the merchant) from the insolvency of the licensee.

Question 15. User protection measures. MAS seeks comments on the user protection measures proposed.

- In particular, MAS seeks views on whether relevant licensees will be able to comply with the proposed float and funds in transit protection measures, the likely cost of such compliance and what float and funds in transit protection measures your business currently employs. Please substantiate your response with data if possible.
- MAS also seeks comments on what other options MAS should include for float and funds in transit protection measures, and what type of secure low risk assets would be suitable for safeguarding of float and funds in transit.
- With regard to the safeguarding of e-money float that is collected from Singapore residents (with residency status to be decided between the e-money issuer and the e-money user), MAS seeks views on whether the following alternative scope of e-money float is more appropriate.
  The e-money float comprises:

[20] T+1 refers to the next business day following the day on which the e-money issuer receives the money from its customers.

(a) e-money that is issued in Singapore to persons ordinarily resident in Singapore; or
(b) e-money that is primarily for use within Singapore.

5.29 **We propose to impose additional measures to protect funds held in e-wallets that are owned by individuals for personal use ("personal e-wallet")**. Unlike bank deposits, the funds in e-wallets are safeguarded by another financial institution and not by deposit insurance under the Deposit Insurance and Policy Owners' Protection Schemes Act. To protect individuals holding e-wallets for personal use, we propose to set the following restrictions on personal e-wallets.

(a) The maximum personal e-wallet load capacity will be set at S$5,000; and
(b) E-wallet issuers must not allow the user of a personal e-wallet to transfer more than S$30,000 out of his or her e-wallet on a 12-month consecutive basis.[21] Transfers to certain personal bank accounts[22] held in Singapore do not count towards the S$30,000 restriction.

Question 16. Personal e-wallet protection. MAS seeks comments on the proposed protection measures for personal e-wallets, and whether the wallet size restriction of S$5,000 and transaction flow cap of S$30,000 is suitable. If these restrictions adversely affect your business please let us know what amounts would be more suitable. Please substantiate your response with data if possible.

5.30 **We will in the coming months publish a separate consultation paper on guidelines to set standards on the protection of access to funds.** The following broad measures we will consult on are set out here for information.

[21] To clarify, e-wallet issuers must not allow the user of a personal e-wallet to transfer e-money out from the personal e-wallet (other than a transfer to a personal deposit account) where the transfer would cause the aggregate amount of transfers for the one year period up to and including the day of the proposed transfer to exceed S$30,000.

[22] This refers to a deposit account held with a bank in Singapore which is used as a means of executing payment transactions other than in the course of business and (i) is a deposit account in the name of the payment service user; or (ii) is a deposit account designated by the payment service user.

5.31 These measures are primarily aimed at building consumer confidence in using e-payments and thereby increasing the adoption of e-payment methods. One key obstacle to pervasive adoption of e-payments we have observed is that the user liability caps for fraudulent transactions and error resolution processes are not standardised across licensees. The lack of standard liability caps and error resolution processes is confusing for payment users who may not know what to expect if they become victims of fraud or if they mistakenly send money to the wrong recipient.

5.32 **The funds access protection guidelines will apply to all issuers of high value payment accounts that enable users to execute electronic payment transactions**. We propose to set the threshold for the protected accounts at S$500, which is in line with standards in the UK and Australia. Accounts that have a maximum load capacity of S$500 will not be in the framework as these are usually bearer instruments that are used anonymously. These bearer instruments are also less likely to be targeted for fraud due to the low amounts stored in the instrument and as such instruments are usually only capable of being used over the counter. Consumers will be advised to take care of low value instruments or accounts as they would with physical cash.

5.33 **We also propose that the users protected under the funds access protection guidelines be limited to individuals and micro-enterprises** (being businesses employing fewer than 10 persons or with an annual turnover of no more than S$1m).[23] This is to prioritise the protection of more vulnerable consumers and encourage these consumers to adopt e-payments. The proposed perimeters are also to recognise that the funds access protection measures will impose some cost on licensees, and that compliance burden should be kept as low as possible to still achieve our regulatory objectives.

5.34 **We propose to cap the liability of payment users of high value payment accounts at S$100**[24], provided that the user meets a reasonable standard of behaviour. This includes giving the licensee updated contact details, using due diligence to protect his payment account, not being fraudulent or grossly negligent, and reporting all unauthorised transactions with relevant information to the licensee by the business day after the notification to the user was sent.

[23] The definition of a micro-enterprise is adapted from SPRING Singapore's SME micro loan criteria.

[24] S$100 is the current liability cap for fraudulent credit card transactions and lost credit cards under the Code of Conduct administered by the Association of Banks in Singapore.

5.35 The licensee is expected to,

(a) give the payment service user daily batched transaction statements for the user to track his transactions;
(b) allow the user to confirm recipient credentials onscreen before executing payment transactions;
(c) provide the user with a free error reporting channel;
(d) complete investigation of claims within 21 days of the user's transaction report; and
(e) refund the user's account with the amount the user lost, within 7 days.

5.36 **Standard Payment Institutions[25] (i.e. small payment institutions) are regulated mainly for ML/TF risks and do not need to comply with user protection measures including safeguarding of e-money float and funds in transit.** We understand from industry feedback that it may be very difficult for a small payments firm to arrange for an FI to undertake liability for the e-money float it issues. We aim to encourage the growth of such small firms and innovation in the payments ecosystem by removing this compliance burden. However, to protect consumers, a Standard Payment Institution will need to disclose clearly to consumers that the float it holds and funds it processes are not protected under MAS regulations.

5.37 **Money-changers and remittance agents are currently required to display their physical licence at their places of business.** This requirement was intended to allow the public to verify if they were licensed. With the shift toward online business models and off-premise kiosks, sighting a physical licence may no longer be practical and we therefore propose to remove the requirement to do so going forward.

Question 17. Disclosure requirement for Standard Payment Institutions. MAS seeks comments on the proposed disclosure requirement for Standard Payment Institutions, in particular, what information should be contained in the disclosure and how Standard Payment Institutions should be required to disclose such information to their customers. MAS also seeks views on whether

[25] In the context of issuing e-money, Standard Payment Institutions are those that hold an average daily e-money float of S$5 million or less.

there is still a need to retain the requirement to display a licence as set out in section 14 of the MCRBA.

Specific Risk Mitigating Measure 3: Interoperability

5.38 One key obstacle to the adoption of e-payment solutions by consumers and merchants is that these solutions are often not interoperable. Consumers may not be able to make payments directly to each other or to merchants if both parties use different payment accounts. Merchants are also faced with having to provide consumers with multiple point of sale terminals or other payment acceptance methods. To achieve interoperability of payment accounts and payment acceptance points, we propose to have powers under the Bill to impose these three types of interoperability measures:

(a) Access regime;
(b) Common platform; and
(c) Common standards.

5.39 **It should be noted that interoperability measures will be imposed only when the circumstances call for the need for MAS to exercise interoperability powers under the Act. These measures are not imposed on regulated entities at the commencement of the Bill.**

5.40 **An access regime is a measure to mandate that a payment system operator[26] allows third parties to access its system** to provide such third party services on fair and reasonable commercial terms. MAS currently has powers to impose an access regime on any operator of a designated payment system ("**DPS**") under the PS(O)A. We propose to import these powers to the Bill, and make the powers applicable to any Major Payment Institution who operates a payment system and any operator of a DPS. These are the entities that are more likely to operate widely used payment systems that should be interoperable with common payment methods.

5.41 **We propose to include in the Bill powers to mandate any Major Payment Institution's participation in a common platform (or equivalent platform) to achieve interoperability of major wallets.** This power may be exercised when a wallet grows large

[26] This would be a DPS operator or Major Payment Institution.

enough to cover a substantial population of users such that they effectively become mainstream and will be expected to interoperate with other mainstream payment accounts. However, MAS will conduct a full assessment before imposing such a measure, and will do so only where necessary to achieve significant interoperability outcomes.

5.42 **We also propose to include in the Bill powers to mandate any Major Payment Institution to adopt a common standard to make widely used payment acceptance methods interoperable.** One example of such a measure is to mandate that payment account issuers and merchant acquirers adopt a standardised QR code. This will allow merchants to display a single QR code which can be scanned by a consumer using any major payment account application.

Question 18. Interoperability powers. MAS seeks comments on the proposed interoperability powers. MAS also seeks views on what other means MAS may use to achieve interoperability of payment solutions in Singapore.

Specific Risk Mitigating Measure 4: Technology Risk Management

5.43 **MAS will extend the existing guidance on technology risk management to apply to licensees that rely on technology to supply payment services.** The technology risk management guidance is principle-based and sets out best practices in the following key areas:

(a) Establishing a sound and robust technology risk management framework;
(b) Strengthening system security, reliability, resiliency, and recoverability; and
(c) Deploying strong authentication to protect customer data, transactions and systems.

5.44 Under the PS(O)A, MAS imposes technology risk management requirements via notices on operators and settlement institutions of DPS as failure of such systems will result in systemic disruption to or affect public confidence in payment systems or Singapore's financial system. These requirements include obligations to ensure the

availability[27] and recoverability[28] of DPS; as well as protection of customer information from unauthorised access or disclosure.

5.45 **Licensees which are not operators of a DPS are not operating at a scale where imposing availability and recoverability requirements on them is necessary as a failure of their systems is unlikely to have financial stability implications on Singapore.** While it is important to protect customer information, the provisions in the Personal Data Protection Act (Act No. 26 of 2012), which were not in force when the technology risk management requirements were first issued, are sufficient for protecting customer information held by these institutions.

5.46 **Under the Bill, MAS will have the powers to direct a licensee to review and strengthen their technological controls and process.** MAS proposes to continue to apply the technology risk management requirements on operators of a DPS and monitor the use of technology by other licensees. Technology risk management requirements will be imposed on other licensees if they become significant players in Singapore.

Question 19. Technology risk management measures. MAS seeks comments on the proposed approach to technology risk management regulation.

General Powers

5.47 **General powers apply to both licensees and operators of a DPS, and where relevant settlement institutions and participants of DPS.** The Bill will contain other general requirements and powers that are common in other MAS-administered legislation. These include auditing requirements, control of substantial shareholders, inspections and investigations, assistance to foreign regulators, offences, appeals and power to prescribe regulations, issue notices, and grant exemptions.

5.48 We have considered whether it is necessary for MAS to have emergency powers over all licensees. We have proposed to extend emergency powers over all licensees,

[27] An FI is required to ensure maximum unscheduled downtime for each critical system that affects the FI's operations or service to its customers does not exceed a total of 4 hours within any period of 12 months.

[28] An FI is required to establish a recovery time objective ("**RTO**") of not more than 4 hours for each critical system.

which is consistent with other MAS-administered legislation including the SFA where the MAS has emergency powers over all regulated entities such as capital markets services licensees. However, this will be a departure from the position in the PS(O)A[29] and the MCRBA[30]. MAS will exercise its powers judiciously and only when necessary in the circumstances.

Question 20. General powers. MAS seeks comments on the general powers proposed in the Bill and the proposed approach to the exercise of emergency powers in the Bill. MAS seeks views on whether the emergency powers should be extended to all regulated entities under the Bill or should be limited to Major Payment Institutions and DPS operators and settlement institutions.

[29] MAS has emergency powers only over operators and settlement institutions of DPS under section 28 of the PS(O)A.

[30] There are no emergency powers in the MCRBA.

6 Arrangements for Existing Financial Institutions

6.1 **The introduction of the Bill will necessarily have an impact on existing FIs**. The FIs likely to be affected are banks, merchant banks, finance companies and non-bank credit card or charge card issuers, as they already provide a wide range of payment services as part of their business. Likewise, the entities regulated under the PS(O)A and MCRBA will be impacted as these Acts will be replaced by the new Bill.

6.2 **MAS proposes to put in place the following arrangements to cushion the impact of the new Bill. These are**

- **(a) exemptions for banks, merchant banks, finance companies and non-bank credit card or charge card issuers;**
- **(b) transitional provisions for existing regulated FIs and payment firms; and**
- **(c) class exemptions for entities that do not carry any regulatory risks.**

Exemptions for certain FIs

6.3 To ease the migration of existing FIs and payment service providers to the new Bill, we propose to include in the Bill,

- **(a) an exemption for banks, merchant banks, finance companies** ("**deposit-taking institutions") from holding a licence, and from complying with requirements that these FIs are already subject to under the Banking Act ("BA"), MAS Act and Finance Companies Act ("FCA"); and**
- **(b) an exemption for non-bank credit card or charge card issuers from holding a licence and complying with licensing related requirements[31].**

6.4 To minimise regulating deposit-taking institutions for the same areas that these FIs are subject to under the BA, MAS Act and FCA, these FIs will be exempted from complying with:

(a) entity specific requirements that overlap with those in the BA, MAS Act and FCA; and

[31] An explanation of this exemption for non-bank credit card issuers is set out later in this Part.

(b) requirements in respect of activities that are regulated in, or are an integral part of the activities regulated in, the BA, MAS Act and FCA.

6.5 The proposed exemptions for deposit-taking institutions are set out in **Table 4**.

Table 4: Exemptions for Deposit-taking Institutions

Entity Specific Exemption	
• Licensing requirements • Business conduct requirements: provisions on capital requirements, registered office requirements, place of business requirements • Control of substantial shareholders	
Activity Specific Exemption	
Activity A: Account issuance services	Deposit-taking institutions are exempted from complying with any requirement under the Bill in respect of activities solely incidental to the institution's conduct of their deposit-taking businesses[32] already regulated under the BA, MAS Act and FCA.
Activity B: Domestic money transfer services	
Activity C: Cross border money transfer services	Deposit-taking institutions are exempted from complying with any requirements in the Bill that are specific to this activity[33].
Activity D: Merchant acquisition services	Deposit-taking institutions are exempted from complying with any requirements in the Bill that are specific to this activity.
Activity E: E-money issuance	No exemption for deposit-taking institutions.
Activity F: Virtual currency services	No exemption for deposit-taking institutions.

[32] As defined in BA section 4B(7):

(7) Subject to the provisions of this section, for the purposes of section 4A, a business is a deposit-taking business if —

(a) in the course of the business, money received by way of deposit is lent to others; or

(b) any other activity of the business is financed, wholly or to any material extent, out of the capital of or the interest on money received by way of deposit.

[33] For Finance Companies (FCs), the exemption only applies to FCs which have the MAS' approval to deal in foreign currency (MCRBA section 31(c)).

Activity G: Money-changing services	Deposit-taking institutions are exempted from complying with any requirements in the Bill that are specific to this activity.

6.6 **With regard to Activities A and B, deposit-taking institutions are exempted from complying with any requirements under the Bill in respect of the institution's conduct of their deposit-taking business already regulated under the BA, MAS Act and FCA**. This includes the issuance of debit/credit cards, the opening and operation of accounts, and the operation of automated teller machine ("**ATM**") facilities. This is to avoid double regulation of the same activity in two different pieces of legislation.

6.7 **Deposit-taking institutions will be exempted from complying with requirements relating to Activities C, D and G.**[34] Currently, deposit-taking institutions are exempted from complying with the MCRBA.[35] We will continue to exempt deposit-taking institutions from Activity C (cross border money transfer services) and Activity G (money-changing services) requirements. Recognising that Activity D (merchant acquisition services) is currently already undertaken by deposit-taking institutions as part of their deposit-taking business, and the fact that deposit-taking institutions are subject to more stringent prudential requirements, we propose to also exempt deposit-taking institutions from complying with requirements specific to Activity D.

6.8 **We do not propose to exempt the deposit-taking institutions from requirements relating to Activities E and F**, as these are not deposit-taking related activities. Deposit-taking institutions therefore should be treated in the same manner as other licensees, to maintain a level playing field for these activities.

6.9 Please see the proposed Bill in **Annex B** which sets out the specific provisions that will apply to deposit-taking institutions even though they are exempt from holding a licence under the Bill. These include, among others, interoperability requirements that MAS may impose under the Bill.

[34] As there are no powers under other MAS-administered Acts to impose an access regime, we propose to retain the powers to impose interoperability requirements on banks, merchant banks and finance companies under the Bill.

[35] For Finance Companies (FCs), the exemption only applies to FCs which have MAS' approval to deal in foreign currency (MCRBA section 31(c)).

6.10 Non-bank credit card or charge card issuers are already required to hold a licence under the BA for the provision of credit facilities. **We propose to exempt non-bank credit card issuers from the same entity specific requirements that deposit-taking institutions are exempted from.** Non-bank credit card issuers however need to comply with the other requirements in the Bill, including activity specific requirements, as they do not overlap with those in the BA. Non-bank credit card or charge card issuers also need to comply with interoperability requirements that MAS may impose under the Bill.

Question 21. Exemptions for certain financial institutions. MAS seeks comments on whether the proposed exemptions for certain financial institutions are appropriate and whether this helps to level the playing field for payment service providers in general. MAS also seeks views on whether any other types of entities should be similarly exempted.

Transitional arrangements

6.11 **MAS proposes to place in the Bill transitional arrangements for existing FIs and other payment service providers**. Operators and settlement institutions of DPS and approved holders of a SVF under the PS(O)A, as well as remittance agents and money-changing businesses licensed under the MCRBA must comply with the requirements when the Payment Services Act commences. This is because the PS(O)A and MCRBA will be repealed at the same time that the Payment Services Act commences (i.e. takes effect).

6.12 **However, to provide sufficient lead time to these entities to comply with the new regime, MAS proposes to commence the new Bill not earlier than at least six months after the Bill is passed in Parliament**.

(a) As there is no change to the designation regime for existing DPS, the existing operators, settlement institutions and participants of a DPS will be transitioned and regulated under the new Bill without disruption.

(b) We will deem the existing widely accepted SVFs holders and remittance agents as Major Payment Institutions (to conduct any activity) under the Bill. These entities will not need to separately apply for a payment services licence. They have six months from date of commencement of the Bill to inform MAS of the specific activities they are conducting. Money-changing licensees under the MCRBA will be deemed to be Money-Changing Licensees under the Bill.

(c) The existing licensing exemptions will continue to be valid under the Bill, until MAS varies revokes the exemption.

(d) As mentioned, the deposit-taking institutions and non-bank credit card or charge card issuers will be exempted from holding a payment services licence under the Bill.

6.13 **Upon the commencement of the Bill, we will also grant an exemption to entities providing the payment services regulated under the Bill but who are currently not licensed under the MCRBA or approved to hold an SVF under the PS(O)A ("Newly Regulated Entities") from the requirement to hold a licence under the Bill for an interim period.** This would allow the Newly Regulated Entities to continue to provide payment services until the entity's licence application is approved or rejected by MAS.[36] This is on the condition that each entity discloses clearly to the public that it has been granted an exemption by MAS for an interim period. These entities have six months from the commencement date of the Bill to submit their licence application.

6.14 **We have proposed a six-month grace period** for the Newly Regulated Entities to submit their licence application as there may be a large number of such entities, some of which have global operations and it would be reasonable to allow the industry more time to adjust to the new framework.

Question 22. Transitional arrangements. MAS seeks comments on whether the proposed transitional arrangements help current regulated entities and Newly Regulated Entities to transition smoothly to the new Bill. In particular, please let us know if we have buffered sufficient lead time for all affected entities to build sufficient compliance capabilities.

Regulatory Decision Tree and Class Exemptions

6.15 **To contain the risk of overregulation, MAS is prepared to consider granting class exemptions to entities that fall within the scope of Standard Payment Institutions but do not pose sufficient ML/TF risks.** Such class exemptions will not be set out in the Bill, and will instead be prescribed as regulations. These regulations are likely to refer to the

[36] These entities will be granted temporary exemption from holding a licence for the transition (or interim) period.

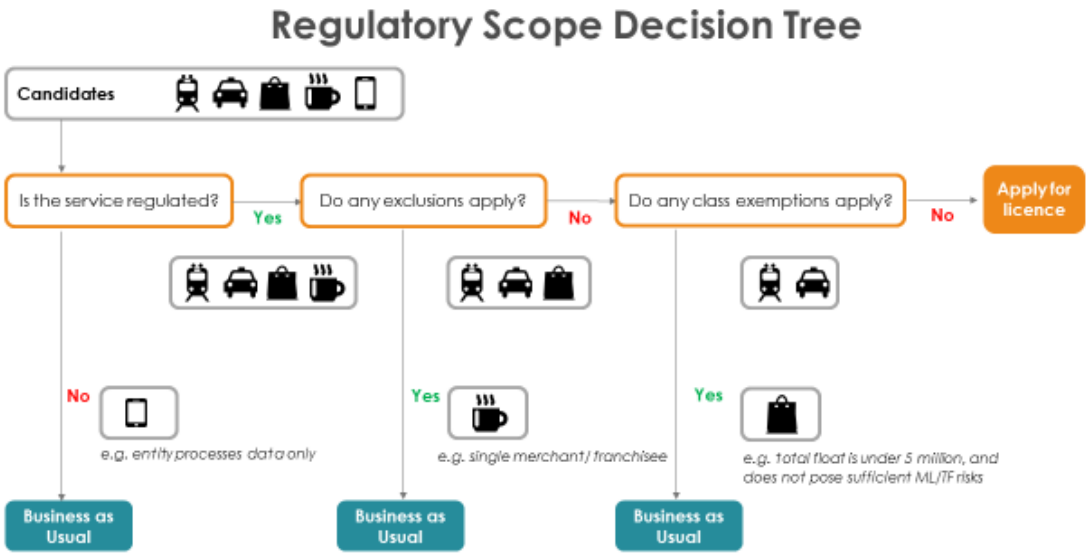
relevant AML notices applicable to Standard Payment Institutions. If a Standard Payment Institution operates a business model that at all times does not require the Standard Payment Institution to put in place AML measures as set out in the relevant notice, we will be prepared to exempt such entities as a class from holding a licence under the Bill.

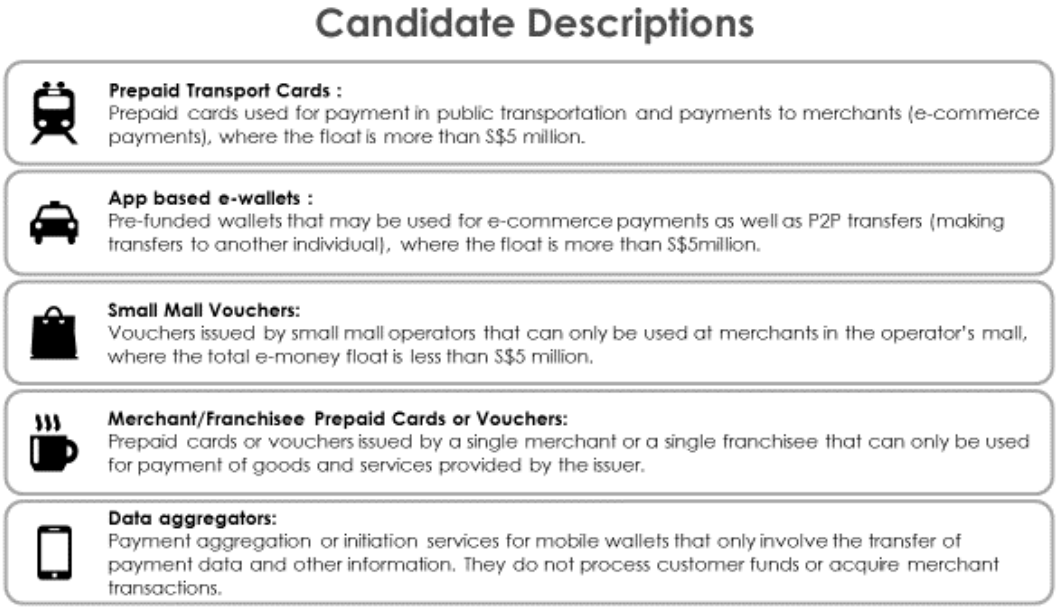
Question 23. Class exemption. MAS seeks comments on the proposed class exemption and whether there are reasons not to grant such a class exemption on the grounds described.

6.16 **We set out below a regulatory decision tree to guide payment service providers on whether they will need to hold a licence under the Bill**.

6.17 **Illustration 3** shows a regulatory decision tree, with six candidate cases, each with a different payment business model. We have presented a series of questions that payment service providers need to consider to assess if they are required to hold a licence under the Bill. The illustration shows the decision journey for each candidate case. Some candidates may not require a licence because the service they provide is not regulated under the Bill, the service is excluded from the scope of the Bill, or a class exemption may apply to the candidate's business model. Illustration 3 should be used only as a guide. Payment service providers are encouraged to read the Bill in **Annex B** and this consultation paper to understand the application and relevance of the Bill and proposed measures to their businesses.

Illustration 3: Regulatory Decision Tree





Annex A

ANNEX A: LIST OF QUESTIONS

21 November 2017

Monetary Authority of Singapore

CONSULTATION PAPER

P009 - 2016

August 2016

Proposed Activity-based Payments Framework and Establishment of a National Payments Council

Monetary Authority of Singapore

Contents

1 Preface

Background

1.1 There are several systemically and system-wide important payment systems in Singapore, each with its own governance structure spanning the spectrum of public and private sector governance. At one end of the spectrum, the MAS Electronic Payment System ("MEPS+") is wholly-owned, operated, and governed by MAS. In the middle of the spectrum, the Singapore Dollar Cheque Clearing System ("SGDCCS"), US Dollar Cheque Clearing System ("USDCCS"), Inter-bank GIRO system ("IBG"), and Fast And Secure Transfers ("FAST") are privately-owned and operated but are governed by the Singapore Clearing House Association ("SCHA"), which is chaired by MAS and comprises private sector stakeholders from the banking industry. At the private end of the spectrum, NETS Electronic Fund Transfers at Point of Sale ("NETS EFTPOS") is privately-owned, operated, and governed.

1.2 Apart from the systemically and system-wide important payment systems, consumers in Singapore have access to a wide variety of international card payment schemes, and various stored value facilities ("SVF"s) such as vouchers, transit cards, and electronic-wallets. Such systems are often governed independently by private entities that define their own specific set of rules and technical standards. There is also a wide range of remittance options in Singapore to cater to the outbound payment needs of residents and foreign workers.

1.3 Historically, there has been a clear distinction between payment systems, SVFs, and remittance businesses. This distinction is reflected in Singapore's payments and remittance regulatory framework, which falls under two separate legislations: the Payment Systems (Oversight) Act ("PS(O)A") and the Money-changing and Remittance Businesses Act ("MCRBA").

1.4 The PS(O)A focuses on regulating and supervising systemically and system-wide important payment systems as well as regulating holders of SVFs. Designated Payment Systems ("DPS") include MEPS+, SGDCCS, USDCCS, IBG, FAST, and NETS EFTPOS. DPS are supervised for the purpose of maintaining financial stability and confidence in Singapore's payment systems. Certain holders of SVFs, which are deemed to be widely accepted, are also regulated, but with a focus on the protection of customers' funds. These widely accepted SVFs ("WA SVFs") include ez-link Card, NETS CashCard, and NETS FlashPay.

1.5 The MCRBA focuses on licensing and supervising remittance businesses in Singapore. There are a wide range of licensees in Singapore, ranging from small

operations to large international companies. The MCRBA also provides for the licensing and supervision of money-changers.

Payments Roadmap

1.6 In its report to MAS on Singapore's payments landscape and recommendations for a payments roadmap to 2020, KPMG identified regulation and governance as two key areas for review. The roadmap focused on retail payments.

1.7 With regard to regulation of payment systems, KPMG has observed the overlapping nature of the PS(O)A and MCRBA, and the increasing complexity of payment service providers in Singapore.

1.8 With technological advancements and the advent of FinTech, the lines between payment systems, SVFs, and remittances are blurring rapidly. This is especially striking for remittance, which has traditionally accepted cash at a physical storefront but where a FinTech company could allow customers to fund payments through a SVF or directly from a bank account.

1.9 More generally, the payments ecosystem, consisting of banks, merchant acquirers, processors, and other payment service providers, is also becoming more complex and integrated. A single payment service provider may acquire transactions for multiple payment systems, and simultaneously offer SVFs to customers. The provider could also decide to leverage on its customer base to offer cross-border remittances or facilitate online payments to overseas merchants.

1.10 While technological advancements have made for a more convenient and seamless payments experience for users, new risks are also emerging. Payment service providers around the world have been subject to cyber-attacks, leaving users vulnerable to personal data leaks. The increasing complexity and globalisation of the payments ecosystem have also led to reduced transparency for the user, as various fees and foreign exchange charges could be embedded into users' statements with minimal explanation prior to the purchase.

1.11 A more calibrated regulatory regime, applied on an activity basis to payment service providers, rather than specific payment systems, would allow MAS to better address specific issues such as consumer protection, access and corporate governance. It would also give MAS the flexibility to address emerging risks such as cyber security, interoperability, technology, and money laundering and terrorism financing. It is envisioned that activity-based regulation of payment service providers would build public confidence and encourage the use of electronic payments.

1.12 In terms of governance, KPMG observed that Singapore's payments landscape is characterised by a lack of interoperability and limited formal participation of demand-side voices, such as businesses, trade associations, merchants, billing organisations, and consumers. Their opinion is that these factors have contributed to the perception that while Singapore is technologically advanced, its payments landscape is fragmented and largely cash and cheque based.

1.13 Establishing a single governance structure can help to address these issues and bring improvements to the payments ecosystem. It would be a forum where the voices of the users (demand-side) and providers (supply-side) are both heard, allowing competition, innovation and collaboration to foster, and help shape Singapore's payments landscape in a cohesive and efficient manner.

1.14 In order to transform Singapore's payments landscape, KPMG has recommended that MAS consider:

(a) Regulations – Reviewing the existing payments and remittance regulatory frameworks to create a consolidated activity and risk-based regulatory framework that is forward looking and will provide for licensing, regulation, and supervision of all relevant segments of the payments ecosystem and remittance businesses in Singapore. This Proposed Payments Framework ("PPF") will complement the existing supervision of DPS under the PS(O)A.

(b) Governance – Establishing a National Payments Council ("NPC") that will provide a forum for supply-side (e.g. banks and payment service providers) and demand-side (e.g. trade and consumer associations, billing organisations and government agencies) stakeholders to co-create interoperable payments solutions, discuss national level payments strategies and implement key projects. The proposed NPC would also govern scheme rules for payment systems in Singapore.

1.15 This public consultation is the first in a series of consultations on the PPF and NPC, and is focused on obtaining broad-based feedback on the proposed enhancements to regulation and governance of the Singapore payments landscape. MAS would appreciate feedback on the scope of payment activities to be regulated under the PPF, and the broad mandate and composition of the proposed NPC. Subsequent rounds of public consultation will seek feedback on specific policies and the draft legislation, which will include requirements and applicability to various payment activities.

1.16 MAS invites comments from:

(a) Financial institutions – Banks, non-bank credit card issuers, operators of DPS, money changers, remittance businesses, holders of SVFs, etc.;

(b) Broader payments industry – Payment system operators, merchant acquirers, payment gateway providers, and FinTech firms;

(c) Businesses – Large corporates, billing organisations (e.g. telecommunication and utility companies, town councils, and strata management corporations), small and medium businesses, trade associations, non-profit organisations, and charities;

(d) Other interested parties – Members of the public, consumer associations, government agencies, law firms, and other companies who may be impacted by the proposed review.

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the submission to MAS. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

1.17 Please submit written comments by 31 October 2016 to –

FinTech & Innovation Group
Monetary Authority of Singapore
10 Shenton Way, MAS Building
Singapore 079117
Fax: (65) 62203973
Email: payments_consult@mas.gov.sg

1.18 Electronic submission is encouraged. We would appreciate that you use this suggested format for your submission to ease our collation efforts.

2 Regulation – Proposed Payments Framework

Activity-based Regulation

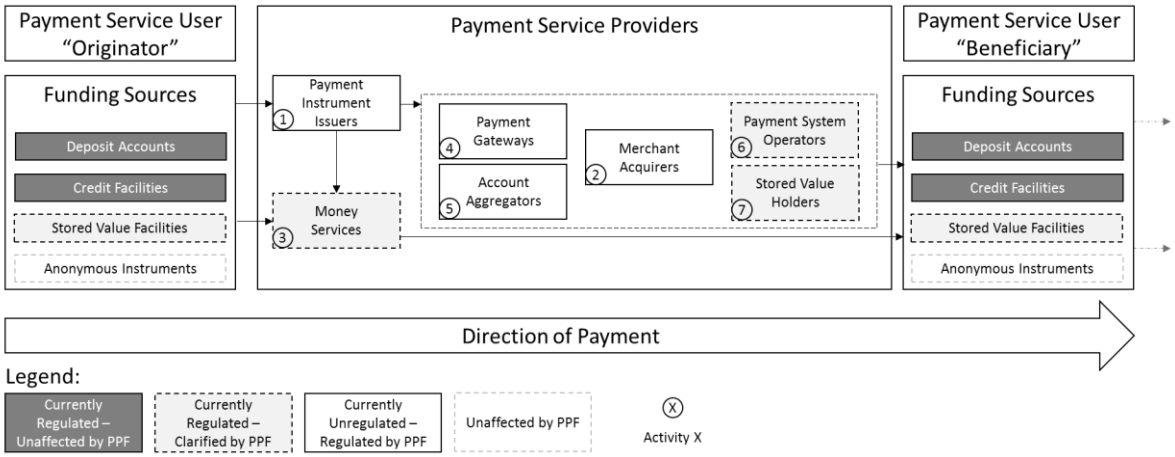


Figure 1: Schematic of Payments Ecosystem and potential impact of the Proposed Payments Framework ("PPF")

2.1 Since the introduction of the Money-changing and Remittance Businesses Act ("MCRBA") in 1979, and the Payment Systems (Oversight) Act ("PS(O)A") in 2006, there has been a phenomenal pace of innovation in the Singapore payments ecosystem. The ecosystem is no longer neatly delineated along the lines of stored value and cross-border payments, nor between physical and electronic payments.

2.2 Today, there could be multiple payment service providers that intermediate between payment service users. There are also new threats to consumer confidence in the payment system which are not limited to systemic or system-wide risks which the PS(O)A is focused on mitigating. With new technology and FinTech, the lines between remittance and payments are also blurring. MAS believes that there is scope to combine the remittance and payments regulatory frameworks to create a more calibrated, flexible and forward looking framework.

2.3 The Proposed Payments Framework ("PPF") will supersede the PS(O)A and is envisioned to be applied on an activity-basis to entities within the payments ecosystem to allow MAS to better address issues such as consumer protection, access, corporate governance, and other emerging risks such as cyber security, interoperability, technology, and money-laundering and terrorism financing. MAS expects that these requirements will be risk-based and calibrated to specific risks observed in the various payment activities.

2.4 With the objective of building trust and confidence in the payments ecosystem, MAS is seeking feedback on the scope of payment activities that should be subjected to regulation under the PPF. For the avoidance of doubt, payment systems that are

sufficiently large, and pose systemic or system-wide risk will continue to be subjected to designation, similar to the current requirements under the PS(O)A.

2.5 Under the PPF, MAS envisages that banks will continue to be exempted from obtaining a separate licence to conduct payment activities. This is in line with the existing treatment of banks under the MCRBA. Nonetheless, to promote a level playing field where similar activities are regulated similarly if they pose similar risks, banks will be required to comply with all applicable requirements under the PPF in relation to their payments activities.

2.6 MAS intends that entities will only be required to apply for a single licence under the PPF, which will permit them to undertake specific activities as listed in their application. Multiple licences will not be required. However, if an entity's business model expands beyond the activities granted in its licence, it will have to make an application to include the additional activities. At present, MAS only intends for licensing to apply to locally established payment service providers.

2.7 MAS will consult on specific definitions and requirements in a subsequent round of consultation, after considering public feedback on the scope of potential regulated payment activities.

Question 1. MAS seeks views on its approach to regulation of payment activities under the PPF.

Question 2. MAS seeks views on the impact of PPF on the level playing field between banks and non-banks in the payments industry.

Question 3. MAS seeks views on whether the existing designation regime should be extended to apply to all payment service providers undertaking payment activities.

Question 4. MAS seeks views on the scope of the PPF, including whether foreign payment service providers that provide services to Singapore residents should be required to establish a local presence.

Scope of Activities

2.8 MAS is proposing for the scope of the PPF to include entities in the payments ecosystem which undertake or provide the following payment activities:

(a) Activity 1: Issuing and maintaining payment instruments, such as payment cards, payment accounts, electronic wallets, and cheques[1];

(b) Activity 2: Acquiring payment transactions, such as physical and online merchant acquisition services, merchant aggregators, and master merchants;

(c) Activity 3: Providing money transmission and conversion services, such as domestic and in-bound/out-bound cross-border remittance services, currency-conversion services, and virtual currency intermediation services;

(d) Activity 4: Operating payments communication platforms, such as payment gateways, payment processors, and kiosks;

(e) Activity 5: Providing payment instrument aggregation services, such as payment card aggregation and bank transaction account aggregation;

(f) Activity 6: Operating payment systems which facilitate the transfer of funds through processing, switching, clearing, and/or settlement of payment transactions; and,

(g) Activity 7: Holding stored value facilities ("SVFs"), such as prepaid cards and prefunded electronic wallets.

2.9 For clarity, it is likely that a payment service provider may need approval to conduct multiple activities under its licence. For example, an operator of a peer-to-peer (prepaid) electronic wallet may at a minimum require a licence to conduct Activities 1, 3, and 7. If the operator were to acquire merchants, it would likely require further approval to conduct Activities 2, and potentially 4. MAS intends that each payment service provider will only require one licence to undertake payment activities.

2.10 MAS will consult on the specific definition of each payment activity in a subsequent round of consultation.

Question 5. MAS seeks views on whether the proposed activities are comprehensive, and whether any activities in the payments ecosystem have been left out.

[1] In the context of Activity 1, an issuer of a cheque refers to the drawee bank. For example, if Alice (who banks with bank X) writes a cheque to Bob, bank X will be considered as the issuer of that cheque.

Activity 1: Issuing and Maintaining Payment Instruments

2.11 For the purposes of the PPF, MAS proposes to define a payment instrument as an instrument that provides a user access to regulated funding sources for the purpose of initiating payments. These funding sources include:

(a) Deposit and checking accounts regulated under the Banking Act;
(b) Credit facilities regulated under the Banking Act; and
(c) Stored value facilities currently regulated under the PS(O)A, and subject to clarification as part of this review of the payments regulatory framework.

2.12 Under the PPF, MAS envisages that payment instruments will include:

(a) Payment cards – Debit cards (including ATM cards), credit cards, charge cards, and stored value cards, irrespective of whether the funds are held on the card itself or linked to an account maintained by the issuer;
(b) Payment accounts – Payment and internet banking portals and apps, virtual cards, electronic wallets, and other non-physical instruments that allow users to initiate payments; and
(c) Paper-based instruments – Cheques, cashiers' orders, and money orders.

2.13 For clarity, cash and other anonymous[2] instruments, having no identifiable issuer that opens and maintains accounts for users, will not be considered as regulated funding sources or payment instruments. Such instruments are therefore likely to be out of scope for the purposes of Activity 1. However, regardless of the activity the entity conducts, any payment service provider that facilitates the acceptance or withdrawal of cash and other anonymous instruments may attract additional requirements to mitigate money-laundering and terrorism financing risks.

2.14 MAS expects that card-issuing banks and non-banks, payment account issuers, and issuers of paper-based instruments will be considered as undertaking Activity 1. For the avoidance of doubt, MAS does not intend for payment service users to be considered as undertaking Activity 1.

[2] MAS considers anonymous instruments to include virtual currencies, like Bitcoin.

2.15 MAS does not intend for regulation of Activity 1 to extend to the regulated funding sources linked to the payment instrument. Deposit accounts and credit facilities will continue to be regulated under the Banking Act. There will be some changes to the regulatory framework for SVFs, which will fall under Activity 7 of the PPF.

2.16 Under the PPF, it is likely that instruments that are not linked to a regulated funding source, such as rewards/points cards, top-up cards, paper-based vouchers, will not be considered as payment instruments. It is possible that such instruments and their issuers will be out of scope from the proposed regulatory requirements, and not subject to licensing.

2.17 MAS will consult on the specific definition of payment instruments and issuance, and applicable requirements in a subsequent round of public consultation.

Question 6. MAS seeks views on the proposed scope of Activity 1.

Question 7. MAS seeks feedback on the proposed definition of payment instruments.

Question 8. MAS seeks views on whether internet banking portals should be considered as a payment account, and hence a payment instrument.

Question 9. MAS seeks comments on its approach of linking payment instruments to regulated funding sources, and the resultant exclusion of cash and other anonymous instruments from the scope of payment instruments.

Activity 2: Acquiring Payment Transactions

2.18 Under the PPF, the acquisition of payment transactions will be considered a regulated payment activity. This activity will encompass the acceptance and processing of payment instruments through a payment system. Non-banks will be required to obtain a licence in order to carry out acquisition of payment transactions.

2.19 MAS expects that merchant acquirers, including banks and three-party scheme operators[3], merchants aggregators, and master merchants will be considered as undertaking Activity 2. MAS is considering if the scope of Activity 2 should include all participants of payment systems that acquire payment transactions, or if it should be restricted only to direct participants.

[3] Three-party scheme operators typically both issue payment cards, and acquire merchant transactions.

2.20 For clarity, Activity 2 is not intended to apply to businesses, such as shops, restaurants, and travel agents, which use a merchant acquirer or gateway to accept payment instruments from customers.

2.21 MAS will consult on the specific definition of payment acquisition, and applicable requirements in a subsequent round of public consultation.

Question 10. MAS seeks comments on the scope of Activity 2.

Question 11. MAS seeks feedback on whether Activity 2 should be restricted to direct participants of payment systems.

Question 12. MAS seeks views on whether there are non-payments businesses that may be inadvertently regulated under the scope of payment acquisition.

Activity 3: Providing Money Transmission and Conversion Services

2.22 Under the PPF, money services will be considered a regulated payment activity. Money Services are expected to encompass the activities of money transmission and currency conversion, without an underlying exchange of goods and services. Money Services is also likely to include the facilitation of, and operation of platforms that facilitate, money transmission and currency conversion. Non-banks will be required to obtain a licence in order to carry out money services.

2.23 Money-changing and remittance businesses are currently licensed under the MCRBA. Separate licences are required to operate a money-changing business and a remittance business. Money-changing business means the business of buying or selling foreign currency notes. Remittance business is defined as the business of accepting moneys for the purpose of transmitting them to persons resident in another country or a territory outside Singapore. MAS proposes for the existing money-changing and remittance activities to be subsumed under the activities of currency conversion and money transmission of Activity 3 respectively.

2.24 The scope of money transmission activities is intended to encompass the acceptance of funds and subsequent transfer of value to a beneficiary, by an entity in Singapore, regardless of whether the originator or beneficiary is in Singapore. It will also apply to both physical "bricks-and-mortar", and online activities. The activities of money transmission will include the facilitation of inbound and domestic payments. MAS does not intend for the scope of Activity 3 to include payments purely for goods and services.

2.25 The scope of currency conversion activities is intended to encompass the business of exchanging of currencies at a rate of exchange. In addition, it is likely that

under the PPF, virtual currency intermediaries which buy, sell, or facilitate the exchange of virtual currencies, such as Bitcoin, will also be considered to undertake Activity 3.

2.26 MAS does not intend to regulate businesses that accept payment instruments from customers on their own behalf, such as shops, restaurants, and travel agents. MAS also does not intend to consider businesses, such as multi-national corporates, which make intra-group payments to offices in other countries as undertaking Activity 3.

2.27 MAS will consult on the specific definition of money services, and applicable requirements in a subsequent round of public consultation.

Question 13. MAS seeks comments on the scope of Activity 3.

Question 14. MAS seeks feedback on the inclusion of remittance businesses under the PPF.

Question 15. MAS seeks feedback on the inclusion of domestic, cross-border, and inbound money transmission activities under the PPF.

Question 16. MAS seeks feedback on its intent not to include payments purely for goods and services under the scope of Activity 3.

Question 17. MAS seeks feedback on the inclusion of money-changing businesses under the PPF.

Question 18. MAS seeks feedback on the inclusion of virtual currency intermediaries under Activity 3.

Question 19. MAS seeks feedback on whether there are other businesses which may unintentionally fall under the scope of Activity 3.

Activity 4: Operating Payments Communications Platforms

2.28 Under the PPF, the operation of payments communications platforms will be considered a payment activity. This activity pertains to the processing of payment instructions, and will include authorisation of payment instructions for both e-commerce and physical merchants. Non-banks will be required to obtain a licence in order to carry out operation of payments communications platforms.

2.29 MAS expects that payment gateways, payment kiosk operators, and payment processors which intermediate between merchants and acquirers will fall under the scope of Activity 4.

2.30 MAS proposes not to regulate manufacturers of payment terminals and software developers of payment gateways and processors, insofar as they do not operate the terminals or software for merchants and/or acquirers.

2.31 MAS is considering if international and domestic inter-bank payments messaging platforms should be subjected to licensing and supervision as payments

communications platforms. The primary purpose of such regulation would be to mitigate money laundering and terrorism financing, and cyber security risks that may arise.

2.32 MAS will consult on the specific definition of payments communications platforms, and applicable requirements in a subsequent round of public consultation.

Question 20. MAS seeks comments the scope of Activity 4.

Question 21. MAS seeks feedback on whether the list of potential licensees is comprehensive.

Question 22. MAS seeks feedback on the potential merits, or lack thereof, of including manufacturers of payments terminals and software developers in the scope of Activity 4.

Question 23. MAS seeks feedback on the potential merits, or lack thereof, of including inter-bank payments messaging platforms in the scope of Activity 4.

Activity 5: Providing Payment Instrument Aggregation Services

2.33 Under the PPF, the consolidation of payment instrument information and access will be considered a payment activity. This activity pertains to the provision of any service which aggregates payment instrument information from various issuers of payment instruments, and allows users to initiate payment instructions. Non-banks will be required to obtain a licence in order to carry out provision of payment instrument aggregation services.

2.34 Services which allow users to access multiple bank accounts and payment cards through a single portal, app, or device are likely to fall under Activity 5.

2.35 With the increased proliferation of mobile payments, MAS is considering whether providers of wallet services such as mobile wallets, which store users' payment card information, should be regulated under this activity.

2.36 MAS will consult on the specific definition of payment instrument aggregation services, and applicable requirements in a subsequent round of public consultation.

Question 24. MAS seeks comments the scope of Activity 5.

Question 25. MAS seeks feedback on whether services such as mobile wallets should be regulated as payment instrument aggregation services.

Activity 6: Operating Payment Systems

2.37 Under the PPF, the operation of payment systems will be considered a payment activity. This activity encompasses the operation of a payment system which facilitates the transfer of funds through processing, switching, clearing, and/or settlement of

payment transactions. Non-banks will be required to obtain a licence to operate payment systems.

2.38 MAS notes that operators of the automated clearing house, domestic and international schemes and/or payment switches, and ATM switches could be considered as operators of payment systems under the PPF.

2.39 MAS does not intend to regulate intra-bank payment systems or internal corporate payment systems under Activity 6. MAS is also considering the merits and practicalities of regulating operators of international interbank payment and messaging systems under Activity 6. MAS acknowledges that operators of such systems could be considered as undertaking Activities 4 and/or 6, depending on the final definition.

2.40 Licensed payment systems that pose systemic or system-wide risk to Singapore's financial system will continue to be subjected to designation requirements similar to those under the PS(O)A.

2.41 MAS anticipates that while it will license and regulate operators of payment systems, certain aspects of governance, including definition of scheme rules and interoperability, could come under the ambit of the proposed National Payments Council as outlined in Para 3.5.

2.42 MAS will consult on the specific definition of payment systems, and applicable requirements in a subsequent round of public consultation.

Question 26. MAS seeks comments the scope of Activity 6.

Question 27. MAS seeks feedback on whether the list of potential licensees and exclusions is comprehensive.

Question 28. MAS seeks feedback on its proposed approach to include settlement institutions as part of Activity 6.

Question 29. MAS seeks feedback on its approach not to regulate intra-bank payment systems and internal corporate payment systems.

Question 30. MAS seeks feedback on the merits and practicalities of regulating operators of international interbank payment and messaging systems under Activity 6.

Activity 7: Holding Stored Value Facilities

2.43 SVFs are currently regulated under the PS(O)A. Holders of SVFs that hold more than S$30m of customer funds are required to apply to MAS for approval. Such SVFs are also required to engage a licensed bank in Singapore to be fully liable for all customer funds. Under the PPF, MAS intends to clarify the scope of what is meant by 'stored

value', and concurrently license and regulate the holding of all SVFs, which encompasses the holding of funds on behalf of users. These funds may be used as a funding source for payment instruments. Non-banks will be required to obtain a licence in order to carry out provision of SVFs.

2.44 Under the PPF, MAS envisages that all holders of network-based online SVFs such as prepaid cards running on international card scheme networks, and peer-to-peer electronic-wallets (not to be confused with mobile wallets that can store tokenised card details), will be considered as undertaking Activity 7. Providers of offline SVFs such as transport cards will also be considered as undertaking Activity 7.

2.45 MAS is reviewing its intent to regulate SVFs that allow customers to pre-pay for specific products and services, are of limited purpose in terms of usage or acceptance, or where stored value is a by-product from a merchant's enhancement of existing business processes, such as earning points and rewards, which can be claimed for future redemption. These could include prepaid telecom airtime, store vouchers, packages, and calling cards. MAS is also considering if purely paper-based SVFs should continue to be regulated under the PPF.

2.46 From a float and consumer protection perspective, MAS is considering if all SVFs will have to segregate customers' funds, regardless of whether the customers are Singapore residents, from operating accounts and safeguard customers' funds, via mechanisms such as full bank liability, insurance, bankers' guarantees, or trust accounts.

2.47 MAS will consult on the specific definition of SVFs, and applicable requirements in a subsequent round of public consultation.

Question 31. MAS seeks comments on the scope of Activity 7.

Question 32. MAS seeks feedback on whether the list of potential licensees and exclusions is comprehensive.

Question 33. MAS seeks feedback on its approach not to regulate businesses that allow customers to pre-pay for specific products and services, are of limited purpose in terms of usage or acceptance, or where stored value is a by-product from a merchant's enhancement of existing business processes, such as earning points and rewards, which can be claimed for future redemption.

Question 34. MAS seeks feedback on whether any existing business models may inadvertently or unfairly be considered as undertaking Activity 7.

Question 35. MAS seeks feedback on its approach to allow various mechanisms for licensees to safeguard customers' funds, and whether the protection should cover both Singapore and non-Singapore residents.

3 Governance – National Payments Council

Objectives and Mandate of the National Payments Council

3.1 Singapore's payments landscape is characterised by well-established system-wide important retail payment systems like NETS Electronic Fund Transfers at Point of Sale ("NETS EFTPOS"), Singapore Dollar Cheque Clearing System ("SGDCCS"), US Dollar Cheque Clearing System ("USDCCS"), Inter-bank GIRO System ("IBG"), and Fast And Secure Transfers ("FAST") System. However, different and limited models of governance, payment solutions that lack interoperability, and limited participation of demand-side voices could have contributed to the perception that while Singapore is technologically advanced, its payments landscape is fragmented, and cash and cheque based payments are still substantially relied upon by consumers and businesses.

3.2 A National Payments Council ("NPC") can help to address these issues and bring improvements to the Singapore payments ecosystem. The concept of a payments council is common in many countries, such as Australia and United Kingdom, where the payments council takes the lead in driving payments efficiency, adoption and harmonisation. The NPC's mandate will be to foster innovation, competition and collaboration in the payments industry. In order to build consensus and cooperation in the industry, the NPC should also serve as a forum where stakeholders from both the supply-side and demand-side of the payments ecosystem can be heard. MAS expects the NPC to coordinate and drive strategic changes which are aligned to the economy and national initiatives, such as the Smart Nation Vision.

3.3 The proposed objectives of the NPC include the following:

Governance and Stakeholder Engagement

(a) Provide a forum where views of key stakeholders in the Singapore payments ecosystem are represented; and
(b) Identify, monitor and enforce payment system standards, such as for payment system access and interoperability.

Coordination and Implementation

(c) Coordinate and execute industry payments projects;
(d) Promote collaboration and broad industry consultation in retail payments strategy; and
(e) Promote and lead public education programs.

Research and Surveillance

(f) Identify areas of research to promote swift, simple, and secure payments, to migrate away from paper-based payment instruments and processes, and to ensure reasonable and fair access and acceptance by all pertinent stakeholders; and

(g) Identify key issues and emerging trends in the payments landscape.

Advisory, Policy, and Enforcement

(h) Update MAS on key issues and emerging trends in the payments landscape;

(i) Advise MAS on matters relating to policy and supervision of payment service providers;

(j) Draft policy guidance papers and business practices for payment service providers; and

(k) Assist MAS in implementing policies relating to payments, and enforce compliance by payment service providers.

Question 36. MAS seeks views on the NPC's proposed mandate and objectives.

Scope and Responsibilities of the National Payments Council

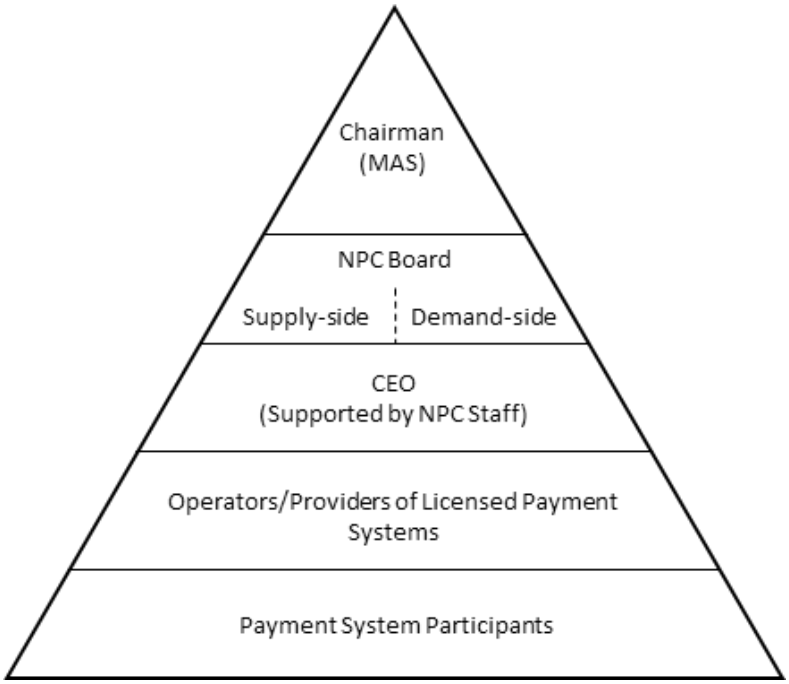


Figure 2: Proposed Structure of the National Payments Council

3.4 MAS proposes that the NPC governs payment systems that fall within the scope of Activity 6 under the PPF, as described in Para 2.8(f). These are likely to include the existing Designated Payment Systems and other payment systems in Singapore such as widely used public transport cards and international card schemes.

3.5 MAS proposes that the NPC be responsible for the following activities:

Assume the role of the Singapore Clearing House Association[4] ("SCHA"), which will be subsumed and expanded under the NPC

(a) Define and enforce by-laws, scheme rules and conditions governing the participants and operators of the systems currently governed by the SCHA, as well as additional systems as proposed in Para 3.4;
(b) Appoint and manage contracts with service providers for the provision of central payment systems; and
(c) Determine membership fees, pricing policies, and access for the use of existing payment systems currently governed by the SCHA, as well as additional systems as proposed in Para 3.4.

Develop and drive strategic objectives

(d) Engage the payments industry to set and achieve strategic objectives including co-ordination of education, marketing, and incentive programmes;
(e) Develop strategies and policies to address gaps in retail payment product and service provision and drive migration away from paper-based payment instruments and processes;
(f) Manage, coordinate, and execute projects to improve payments ecosystem; and
(g) Assess, endorse, and enforce best practices and international payments industry standards.

Conduct industry promotion and consumer education

(h) Promote regional payments initiatives;

[4] The Singapore Clearing House Association currently manages and administers the clearing services for cheque, debit and credit items of its members. It also defines the rules and conditions governing the member banks and operators of the SGDCCS, USDCCS, IBG and FAST systems.

(i) Drive electronic payments adoption; and

(j) Conduct consumer awareness campaigns and roadshows.

3.6 The membership structure of the NPC is proposed as follows:

(a) The Chairman will be a representative from MAS and will chair the NPC Board meetings. He will also approve the appointment of NPC Board members.

(b) NPC Board members will be selected and appointed from a wide spectrum of industry players, and will include representatives from users (demand-side) and providers (supply-side) of payments.

(c) Supported by NPC staff, the CEO will be responsible for day-to-day management and implementation of the NPC's short and long term plans.

(d) Operators and providers of payment systems falling within the scope of Activity 6 of the PPF.

(e) Participants of payment systems consisting of financial institutions or interested parties that directly utilise the clearing and payment systems governed by NPC as proposed under Para 3.4.

Question 37. MAS seeks comments on the proposed payment systems to be governed by the NPC.

Question 38. MAS seeks inputs on its proposal to link the scope of the NPC to Activity 6 of the PPF, and consequently include public transport and international card schemes.

Question 39. MAS seeks views on the potential merits for the MAS Electronic Payment System ("MEPS+") to be included as one of the payment systems governed by the NPC.

Question 40. MAS seeks feedback on the activities that the NPC should undertake.

Question 41. MAS seeks views on whether it would be reasonable for the NPC to function as a single point of contact for public feedback and complaints relating to payments in Singapore.

Question 42. MAS seeks feedback on the proposed membership structure of the NPC.

Question 43. MAS seeks comments on the merits of expanding participation in payment systems governed by the NPC to non-financial institutions.

Composition of the NPC Board

3.7 MAS proposes that it chairs the NPC Board, and that members of the NPC Board should consist of equal representation from both users (demand-side) and providers (supply-side) of payments in order to reflect a balanced view of the Singapore payments eco-system. NPC Board members should hold a position of CEO or equivalent, and be

appointed based on their competency, good public standing, skill-sets and experience in their respective industry.

3.8 The NPC Board members may be selected from:

Supply-side:

(a) Banking community
(b) Government agencies that drive innovation
(c) Payment service providers[5]

Demand-side:

(d) Trade and consumer associations
(e) Small and medium enterprises
(f) Large retail focused enterprises
(g) Non-profits, clubs, and societies
(h) Public utility providers (e.g. gas/electric and telecommunications)
(i) Billing organisations
(j) Government agencies

3.9 In order to ensure sufficient diversity of experience and skill-sets on the NPC Board, MAS is considering setting fixed term appointments for board members (e.g. two years).

3.10 It is likely that in resolution of NPC Board matters and decisions, each Board member will have one vote to reach a majority decision. In the case where a consensus cannot be reached, MAS will have the casting vote. It is proposed that MAS will also retain powers to veto any decision which is deemed detrimental to the public, payments industry or wider government policy related to payments.

Question 44. MAS seeks comments on MAS' role in the NPC.
Question 45. MAS seeks feedback on the proposed supply and demand-side composition of the NPC Board, and views on potential members.
Question 46. MAS seeks feedback on the proposed level of representation on the NPC

[5] Payment service providers consist of entities who undertake any one or more of Activities 1-7 under the PPF in Paragraph 2. This will include Payment Instrument Issuers, Merchant Acquirers, Remittance Businesses, Payment Gateways Providers, Account Aggregators, Operators of Payment Systems, and Holders of SVFs.

Board.

Question 47. MAS seeks feedback on how representatives for the NPC Board should be selected, rotated, and whether the proposal for fixed terms is reasonable.

Question 48. MAS seeks feedback on the whether the proposed voting process for resolution of NPC Board matters and decisions is reasonable.

Ownership of the NPC

3.11 MAS is considering the various possible models for ownership of the NPC. Broadly, the NPC could either be publicly or privately owned. Regardless of the model, the NPC would likely need to be established as a legal corporate body that can enter into contracts and acquire property in its own name.

Question 49. MAS seeks comments on the possible models for ownership of the NPC.

Question 50. MAS seeks views on the ownership model (public or private) that would best enable the NPC to achieve its objectives and fulfil its mandate. If a privately owned NPC would be optimal, how should the NPC's ownership be structured and financed?

Powers of the NPC

3.12 In order to exercise its responsibilities under Para 3.5, MAS proposes that the NPC be able to establish by-laws, rules and regulations relating to the participation of the payment systems that it governs. It should also have the powers to require system enhancements and implement new standards for the payment systems under its purview in order to achieve its mandate.

3.13 In order to finance its operations, the NPC will likely need to have the powers to determine membership fees, and charge members for participation in the payment systems that it governs.

3.14 MAS is considering if the NPC may need to have responsibilities to determine access to the systems it governs, and thus may need to have powers to determine guidelines and policies relating to pricing and interoperability.

3.15 In order to achieve its objectives, MAS is considering if the NPC may need to have powers to issue advisories to payment system operators and scheme participants which are not in compliance with scheme rules in Para 3.5(a). In enforcing observance of the by-laws, scheme rules and conditions governing the participants and operators of the systems, including pricing policies in Para 3.5(c), the NPC may also need to issue letters of reminders to participants and operators for non-adherence. In the case of licensed payment system operators, the NPC's advice and the operator's observance may have impact on MAS' assessment and its licensing status under the PPF.

3.16 The NPC may propose, assess and approve strategic projects deemed in line with the NPC mandate and objectives. It may set up taskforces to address specific retail payments related issues and may also employ officers or agents to fulfil its functions. The appointment will be determined as the NPC thinks fit for the effective performance of the task.

Question 51. MAS seeks comments on the extent and nature of the NPC's powers over participants and schemes.

Question 52. MAS seeks feedback on whether the NPC should have the option to operate the payment systems under its purview, or appoint service providers to operate them.

Question 53. MAS seeks feedback on whether it is reasonable to expect that the NPC will be financially sustainable based on revenues from membership fees.

Question 54. MAS seeks comments on the mechanism for NPC's enforcement of payment system operators', and participants', observance of scheme rules and industry payment standards.

Monetary Authority of Singapore

RESPONSE TO FEEDBACK RECEIVED

November 2017

Proposed Activity-based Payments Framework

Monetary Authority of Singapore

Contents

1 Preface

1.1 On 25 August 2016, MAS consulted on a proposed activity-based payments framework ("**PPF**").

1.2 The consultation period closed on 31 October 2016 and MAS would like to thank all respondents for their contributions. The list of respondents is in **Annex A** and the full submissions are provided in **Annex B**. The annexes to this response paper are available at this link.

1.3 MAS has considered carefully the feedback received, and has incorporated suggestions, where appropriate, into the proposed Payment Services Bill ("**PSB**"). The consultation paper for the PSB has been published and is available at this link.

1.4 The responses below relate specifically to feedback received on the PPF. MAS has responded to the feedback received on the Payments Council in August 2017.

2 Proposed Payments Framework - General Feedback

2.1 MAS proposed to combine the current regulatory frameworks relating to payments, namely the Payment Systems (Oversight) Act ("**PS(O)A**") and the Money-changing and Remittance Businesses Act ("**MCRBA**"), into a single activity-based framework to keep pace with innovation in the Singapore payments ecosystem and the emergence of new payment business models.

2.2 MAS also sought views on the following:

(a) the impact of the PPF on the level playing field between banks and non-banks in the payments industry;

(b) whether the existing designation regime under the PS(O)A should be extended to apply to all payment service providers undertaking payment activities;

(c) whether foreign payment service providers that provide services to Singapore residents should be required to establish a local presence; and

(d) whether the proposed activities were comprehensive and whether any activities in the payments ecosystem were left out.

2.3 Most respondents supported the risk-based regulation of payment activities. A few respondents sought clarity on the specific risks for each activity. Some respondents expressed concerns that MAS may over-regulate the payments industry and adversely impact Singapore's business competitiveness. They cautioned that MAS should be careful not to impose too much regulatory burden on small entities, and suggested that MAS focus on carefully calibrated regulations that balance risk management with on-going innovation and growth. There were also concerns that the new framework may overlap with other regulations.

2.4 A majority of the respondents commented that a level playing field between banks and non-banks conducting the same activity was important, and that MAS should impose requirements commensurate with the risk posed by the entity and the entity's business.

2.5 Most respondents supported the proposal that required foreign payment service providers to establish a local presence if they offered services to Singapore residents. A

few respondents voiced concerns about the additional costs incurred in setting up a physical place of business in Singapore.

2.6 On the scope of activities, the majority of respondents found the proposed activities too extensive and commented on potential overlaps in the definitions of activities. Many sought clarifications on the definitions of each activity line, requesting for greater clarity in order to provide more detailed responses. There also were many queries on the applicability of the new regulations to specific products.

2.7 Respondents had mixed views on the candidate pool for the designation regime. About half of the respondents supported the current approach in the PS(O)A. This is where any payment system operating in Singapore may be designated for regulation if it meets the criteria set out in the PS(O)A.

MAS' Response

2.8 In response to the feedback that the new framework should be risk-based, MAS has set out in detail the regulatory objectives for the licensable activities in the PSB Consultation Paper. MAS has also explained in that paper the specific risk or regulatory concern that each licensable payment activity carries.

2.9 MAS notes the concerns raised by respondents on over-regulation and will carefully calibrate regulations to avoid over burdening small entities that pose low risks. To address this issue, MAS will allow smaller payment firms that accept, process or execute transactions (including payment transactions), or hold e-money float under the specified thresholds to comply with a lighter set of requirements.

2.10 Regarding concerns on the overlap of regulatory frameworks, MAS has crafted the PSB to avoid duplication in requirements as far as possible, across all the activities. In this area, MAS proposes to grant specific exemptions to banks, merchant banks, finance companies and non-bank credit card or charge card issuers. These exemptions are to avoid duplication of regulatory requirements between the PSB and other existing MAS legislation such as the Banking Act. They also retain existing exemptions such as those in the MCRBA that apply to these entities. To be clear, banks and other deposit-taking institutions will need to meet other payment service specific requirements depending on the activity conducted. For example, a bank that issues e-money will need to meet the requirements relevant to that activity.

2.11 In addition, MAS has proposed to exclude payment service providers that are already regulated or exempt under the Securities and Futures Act, Financial Advisers Act, Trust Companies Act, and Insurance Act, in so far as they conduct payment services that

are solely incidental to or solely necessary for their carrying on of business in the financial service they provide under those legislation. This is to minimise regulatory disruption to other financial institutions that do not conduct payment activities as a core business.

2.12 MAS intends to retain the existing designation regime under the PS(O)A to regulate systemically important and system wide important payment systems to ensure financial stability. In the review of the designation regime, MAS proposes to broaden the designation criteria to include designation of payment systems for competition and efficiency reasons. We clarify that any payment system that operates in Singapore which meets the criteria may be designated by MAS. However, designation of a payment system is an exercise that MAS conducts after careful assessment and only when necessary to achieve the regulatory objectives of financial stability, competition or efficiency. The payment systems that are targeted are likely to be large payment systems or payment systems with a significant impact on the payments ecosystem.

2.13 MAS agrees with the general feedback that payment service providers should have a local presence for customers to resolve complaints or seek recourse. To address concerns regarding costs, MAS does not intend to require licensees to incorporate locally. The following business conduct requirements will apply to licensees (except money-changing licensees):

a) The applicant must be a company (incorporated in Singapore or overseas).

b) The applicant must have a permanent place of business in Singapore or if the business is carried on without a permanent place of business, a registered office in Singapore. An applicant must appoint a person to be present at the permanent place of business or registered office of the applicant on the days and at the hours during which the place or office is to be accessible to the public to address any complaints from any payment service user who is a customer of the applicant. An applicant must also keep, or cause to be kept, at the permanent place of business or registered office, as the case may be, books of all his or its transactions in relation to any payment service the applicant provides.

c) The applicant must have a Singapore citizen or Singapore Permanent Resident executive director.

2.14 In response to the feedback received on the scope of the proposed PPF activities, MAS has carefully reviewed the original seven activities and has revised the list of activities in the PSB. The activities proposed for regulation under the licensing framework in the PSB are as follows and will be collectively referred to as the PSB licensable activities:

a) Activity A: Account Issuance Services ("**Account Issuance**");

b) Activity B: Domestic Money Transfer Services;

c) Activity C: Cross Border Money Transfer Services;

d) Activity D: Merchant Acquisition Services ("**Merchant Acquisition**");

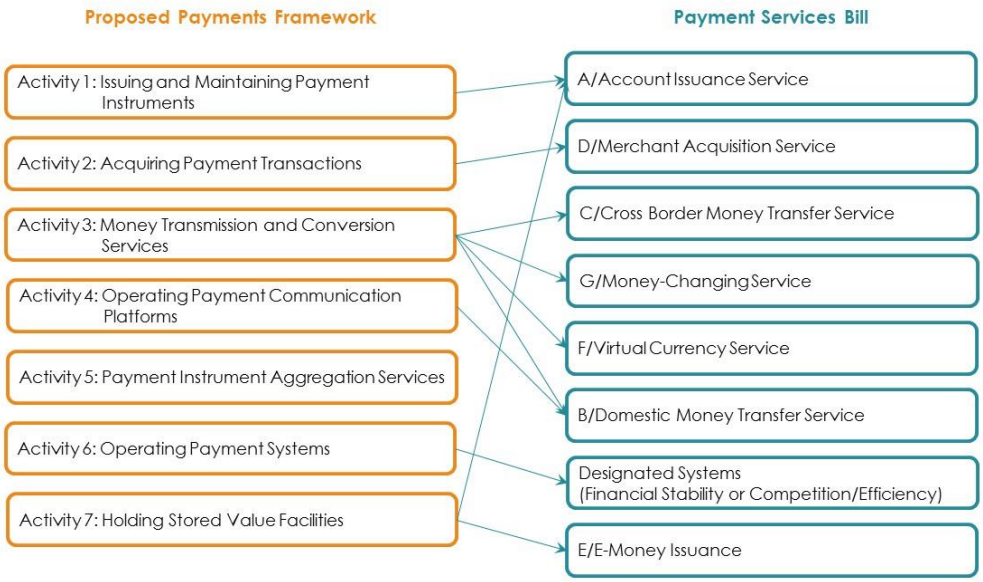
e) Activity E: E-Money Issuance;

f) Activity F: Virtual Currency Services; and

g) Activity G: Money-Changing Services.

2.15 The full description of each activity is set out in the PSB, and explanation of each activity and the measures proposed for each activity are set out in the PSB Consultation Paper. **Illustration 1** shows the relevance of each activity in the PPF to each licensable activity in the PSB. While there are broad similarities between the PPF activities and the PSB licensable activities, please note that the PPF activities were not directly replicated into the PSB, and the scope of the PSB licensable activities may have changed.

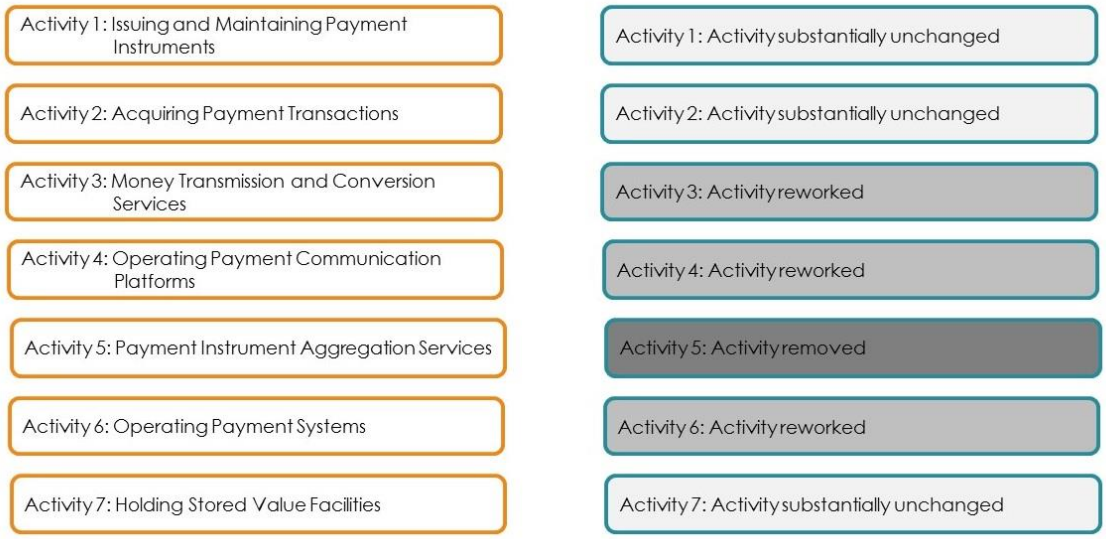
Illustration 1: Proposed Payments Framework and Payment Services Bill comparison



2.16 **Illustration 2** shows the degree of changes made to each activity type in the PPF. Activities 1, 2 and 7 have been incorporated into the PSB as Activities A, D and E without significant changes to the primary scope of these activities. Where respondents provided feedback that the scope was not sufficiently clear, we have clarified them in the PSB.

2.17 Activity 3 has been reworked to take into account feedback from respondents that not all services set out in Activity 3 pose the same risk. We have split up Activity 3 into four activities in the PSB as Activities B, C, F and G, and calibrated the risk mitigating measures to each activity. Activities 4 and 6 have been reworked, and Activity 5 has been removed, in response to the feedback that data processing should not be regulated as a licensable activity.

Illustration 2: Changes made to Proposed Payments Framework



3 Activity 1: Issuing and Maintaining Payment Instruments

3.1 MAS sought views on the proposed scope of Activity 1 and the definition of payment instruments. MAS also sought comments on whether internet banking portals should be considered payment accounts, and the approach of linking payment instruments to regulated funding sources.

Scope of Activity 1 and definition of payment instruments

3.2 Most respondents were in support of the scope of Activity 1, and for a tiered approach to regulation. A few respondents raised issues with the potential overlap of the scope of Activity 1 and Activity 7 (Holding Stored Value Facilities).

3.3 A few respondents gave feedback that the scope should not extend to platforms that store payment instruments or instruments that are not linked to a regulated funding source.

3.4 Respondents were generally supportive of the proposed definition of payment instruments as a means through which a user can initiate payments. A few suggested that the terms were ambiguous and that MAS use the European Union Payment Services Directive definition for “payments instruments”.

MAS' Response

3.5 MAS has introduced Activity A (Account Issuance) and Activity E (E-money Issuance) in the PSB, which are broadly similar to Activity 1 and Activity 7. MAS has clearly defined the scope of each activity in the PSB to ensure that there is no overlap in regulations across each activity or across other regulations. In the context of e-money, the issuance of a payment account containing the e-money (i.e. an e-wallet) is Activity A, and the issuance of the e-money (i.e. the value stored in the e-wallet) is Activity E. In the PSB Consultation Paper, MAS explained that the risks each of these activities pose are different and as such, different risk mitigating measures will apply to entities carrying on the relevant activity.

3.6 We observe that at the moment, most e-money issuers also issue the e-wallet that stores e-money. Where the entity carries on both activities, it will need to comply with requirements in respect of both activities. However, an entity conducting regulated activities under the PSB need only hold one licence under the PSB.

3.7 MAS has proposed the following definition of payment account which is similar to the definitions of "payment account" and "payment instrument" in the UK Payment Services Regulations.

> "payment account" means—
>
> (a) any account held in the name of, or any account with a unique identifier of, one or more payment service users; or
>
> (b) any personalised device or personalised facility,
>
> which is used by a payment service user for the initiation, execution, or both of payment transactions and includes a bank account, debit card, credit card and charge card.
>
> "personalised device or personalised facility" means any device or facility (whether in physical or electronic form) with a name or unique identifier.

Internet banking portals as payment instruments

3.8 A large number of respondents indicated that internet banking portals and non-banking mobile apps should not be considered payment accounts. They reasoned that these portals were often used as channels to facilitate the transfer of payment, and are not the source of funds.

3.9 Some respondents were in support of including such portals and apps, if they allowed the user to initiate payments. They believed this to be in line with the original definition of a payment instrument which "provides a user access to regulated funding sources for the purpose of initiating payments."

MAS' Response

3.10 As stated below in relation to Activity 5 (Payment Instrument Aggregation Services), MAS proposes not to regulate under the PSB activities that involve only the processing of data without the processing (including handling) of funds. Hence, MAS will not be regulating internet banking portals or mobile apps as payment accounts. In any event, banks' provision of services in relation to bank accounts will generally be exempted from the PSB's requirements, given that the general approach is to have such services continue to be regulated under the Banking Act.

3.11 MAS intends for the PSB licence to cover entities that deal directly with the merchant or consumer, and process funds or acquire transactions. Service providers that process only data but do not process funds will not be regulated as licensees under the PSB as they pose fewer risks to the user than services that process funds. MAS may consider data processers as third party service providers to payment services licensees and introduce guidelines to set standards on technology risk management.

Regulated funding sources – exclusion of cash and anonymous instruments

3.12 Most respondents agreed that cash should not be regulated as a payment instrument in and of itself.

3.13 However, there were mixed views on the inclusion of anonymous instruments and virtual currency as types of payment instruments. Respondents who did not support the exclusion of anonymous instruments were concerned about the creation of a shadow sector. A few respondents who supported the proposal to keep anonymous instruments out of scope suggested that MAS should still consider defining them in the new legislation to determine future treatment. A few respondents also sought clarification on the definition of a regulated funding source, with some questions as to whether bank accounts outside of Singapore are considered regulated funding sources.

MAS' Response

3.14 Cash and anonymous instruments such as virtual currencies will not be regulated as payment accounts. However, virtual currency services carry higher Money Laundering/Terrorism Financing ("**ML/TF**") risks due to the user's ability to transmit

money pseudonymously. MAS intends to include regulation of Activity F (Virtual Currency Services for ML/TF purposes. This will address concerns about a shadow sector emerging.

3.15 However, where a payment account allows the use of cash as a funding source, MAS has carefully considered the increased ML/TF risks associated with such business models, and proposed risk mitigating measures accordingly in the PSB Consultation Paper.

4 Activity 2: Acquiring Payment Transactions

4.1 MAS sought views on the proposed scope of Activity 2, whether Activity 2 should be restricted to direct participants of payment schemes and whether there are non-payment businesses that may be inadvertently regulated under the scope of payment acquisition.

4.2 While some respondents agreed with the scope, most sought further clarification on the definition and scope of Activity 2. Many raised queries on the entities that would be caught. Responses on the inclusion of direct participants were mixed, with a few respondents seeking further clarity on the terms.

MAS' Response

4.3 In the PSB, MAS has proposed for Activity D (Merchant Acquisition) to cover any entity that contracts with a merchant to accept and process payment transactions, which result in a transfer of money to the merchant, whether or not the payment service provider comes into possession of money in respect of the payment transactions, where the merchant carries on business in Singapore, is incorporated, formed or registered in Singapore, or the contract is entered into in Singapore. We have sought to address the main regulatory concerns of user protection (merchant and consumer protection) and interoperability that merchant acquisition as a payment service poses. MAS clarifies that only payment service providers that arrange directly with the merchant to acquire the merchant's payment transactions will be considered to be conducting merchant acquisition services. The acquisition of payment transactions, without direct processing of funds, will also be considered merchant acquisition services.

5 Activity 3: Money Transmission and Conversion Services

5.1 MAS sought comments on the scope of Activity 3. MAS also sought views on the following:

(a) including remittance business under the PPF;

(b) including domestic, cross-border, and inbound money transmission activities under the PPF;

(c) including money-changing businesses under the PPF;

(d) including virtual currency intermediation services under Activity 3;

(e) excluding payments purely for goods and services from the scope of Activity 3; and

(f) whether there are other businesses which may unintentionally fall within the scope of Activity 3.

Inclusion of remittance businesses

5.2 Respondents were supportive of the proposal, but sought MAS' consideration to impose different admission criteria commensurate with the nature of business and to reduce requirements on licence fees and security deposits.

5.3 Several respondents sought clarification on whether remittance businesses would be subjected to double regulation (i.e. both under the PSB and the existing MCRBA).

MAS' Response

5.4 MAS has proposed different criteria such as introducing tiered regulations according to the volume of business transactions. As mentioned in Part 2 of this paper, MAS will allow smaller and lower risk payment firms that accept, process or execute transactions under the specified threshold to comply with a lighter set of requirements. MAS will prescribe licence fees and specific security deposits, and will likely impose fees commensurate with the size of the licensee as determined by the specific licence class the licensee belongs to.

5.5 MAS will avoid subjecting businesses to double regulation for any particular payments activity. Remittance will be regulated as a cross-border money transfer service which is Activity C in the PSB. The MCRBA will be repealed with the commencement of the PSB.

Inclusion of domestic, cross-border and inbound money transmission activities

5.6 Most respondents were supportive of the inclusion of domestic, cross-border and inbound money transmission activities. Maintenance of a level playing field, regulatory consistency and better ML/TF supervision were main reasons cited for the

support of inclusion. A few respondents who were against the proposal were primarily against the new inclusion of domestic and inbound transactions.

5.7 Some of the respondents also suggested that that if the three types of transmission were to be regulated, there should be different requirements commensurate with the risks associated.

MAS' Response

5.8 MAS has proposed to regulate domestic money transfers as Activity B in the PSB, and both inbound and outbound cross-border money transfers as Activity C.

5.9 Under Activity B, entities conducting domestic money transfer services in Singapore will be licensed. This will include payment gateway services and payment kiosk services. Under Activity C, entities providing inbound and/or outbound remittance services in Singapore will be licensed.

5.10 The primary regulatory concerns that both Activities B and C carry are ML/TF and user protection. The user protection measures proposed for both Activities B and C are the same. However, to manage the business costs of smaller payment firms, these firms will not be required to comply with user protection measures. Instead, they will need to make specified disclosures to their customers of their status as a smaller payment licensee. As mentioned in Part 2 of this paper, MAS will allow smaller payment firms that accept, process or execute transactions (including payment transactions) under the specified threshold to comply with a lighter set of requirements. On Anti Money-Laundering/ Countering the Financing of Terrorism ("**AML/CFT**"), the requirements will be calibrated according to the risk profile of the business model.

Non-inclusion of certain payments for goods and services

5.11 Most respondents were of the view that money transmission with underlying goods and services pose lower risks and should be excluded from requirements. However, a few respondents disagreed and reasoned that it was not always possible to differentiate pure transfers from transfers for payment of goods and services.

MAS' Response

5.12 In recognition of genuine e-commerce needs, MAS has proposed in the PSB Consultation Paper to exempt entities that carry out certain types of low risk payments for goods and services from complying with AML/CFT requirements.

5.13 MAS agrees with the view that it is not always possible to differentiate pure transfers from transfers meant for the payment of goods and services. We have clarified, within the PSB Consultation Paper, our view on what constitutes the latter. Further, to balance ML/TF risks with commercial practicalities, we have proposed to limit the exemption to the following types of payments for goods and services:

a) Domestic money transfers for goods and services funded from an identifiable source;

b) Domestic money transfers for goods and services under S$20,000; or

c) Cross-border money transfers for goods and services funded from an identifiable source.

Inclusion of money-changing businesses

5.14 There was limited feedback regarding the inclusion of money-changing businesses. However a majority of those that responded supported the proposal, giving reasons that the money-changing business had evolved into the FinTech space and that there should be a level playing field between such businesses and other payments services.

MAS' Response

5.15 MAS has proposed to include the regulation of money-changing businesses in the PSB. It will be covered under a separate activity (Activity G). The existing MCRBA will be repealed with the commencement of the PSB.

5.16 If the entity only conducts money-changing business, it can apply for a money-changing licence under the PSB. Holders of a money-changing licence need not be incorporated, or hold minimum paid up capital. However, if a money-changing business licensee were to decide to carry out other regulated activities under the PSB, it must apply to MAS to vary its licence. It will then be subject to the relevant requirements under its new licence.

Inclusion of virtual currency intermediaries

5.17 Most respondents were supportive of the inclusion of virtual currency intermediation services as a regulated activity, especially to address potential ML/TF risks with the growing use of virtual currencies. However, some cautioned that MAS should be careful not to impose requirements that stifle innovation. A few respondents sought further clarity on the definitions of virtual currencies and virtual currency intermediaries.

MAS' Response

5.18 To address ML/TF risks in virtual currency intermediation services, MAS intends to regulate the activities of dealing in virtual currency and facilitating the exchange of virtual currencies under the PSB as Activity F. For MAS' response in respect of limited purpose virtual currency such as gaming credits, and loyalty points, please refer to MAS' response under Activity 7 in this paper.

5.19 MAS has proposed to define a virtual currency to mean any digital representation of value that is not denominated in any fiat currency and is accepted by the public as a medium of exchange to pay for goods or services, or to discharge a debt.[1]

5.20 Dealing in virtual currency is defined as buying or selling virtual currency. This involves the exchange of virtual currency for fiat currency (e.g. Bitcoin for USD, or USD for Ether) or another virtual currency (e.g. Bitcoin for Ether).[2]

5.21 Facilitating the exchange of virtual currency is defined as establishing or operating a virtual currency exchange where participants of the exchange may use such a platform to exchange or trade virtual currency.[3]

[1] "virtual currency" means any digital representation of value that—

(a) is expressed as a unit;

(b) is not denominated in any currency;

(c) is a medium of exchange accepted by the public or a section of the public, as payment for goods or services or the discharge of a debt;

(d) can be transferred, stored or traded electronically; and

(e) satisfies such other characteristics as the Authority may prescribe,

but does not include such other digital representation of value that the Authority may prescribe.

[2] "dealing in virtual currency" means—

(a) buying virtual currency; or

(b) selling virtual currency,

in exchange for another virtual currency or for any currency, but does not include—

(i) facilitating the exchange of virtual currency;

(ii) accepting virtual currency as a means of payment for the provision of goods or services; or

(iii) using virtual currency as a means of payment for the provision of goods or services.

[3] "facilitating the exchange of virtual currency" means the establishment or operation of a virtual currency exchange where the person who establishes or operates the virtual currency exchange comes into

5.22 In response to concerns that requirements may stifle innovation, MAS will regulate virtual currency services mainly for ML/TF risks. Other than general licensing and business conduct requirements, MAS is unlikely to impose other risk mitigating measures such as user protection on virtual currency service providers.

6 Activity 4: Operating Payment Communication Platforms

6.1 MAS sought comments on the scope of Activity 4, as well as views on the following:

(a) the potential merits of including manufacturers of payment terminals and software developers in Activity 4; and

(b) the potential merits of including inter-bank payments messaging platforms in Activity 4.

6.2 Responses were mixed. There was some support for the proposed scope of Activity 4 and a few respondents sought clarification on perceived overlap between Activity 4, Activity 2 (Acquiring Payment transactions) and Activity 6 (Operating Payment Systems).

6.3 However, there were also some respondents who suggested that technical services supporting the provision of payments services, internal banking systems, and bank channels should be excluded from the scope of Activity 4. In addition, some respondents suggested that kiosks operating as internet portals should be out of scope.

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possession (whether in advance or otherwise) of money or virtual currency in respect of any offer or invitation to exchange, buy or sell virtual currency;

"virtual currency exchange" means a place at which, or a facility (whether electronic or otherwise) —

(a) by means of which offers or invitations to exchange, buy or sell virtual currency in exchange for another virtual currency or for any currency are regularly made on a centralised basis,

(b) where the offers or invitations that are made are intended or may reasonably be expected to result, whether directly or indirectly, in the acceptance or making, respectively, of offers to exchange, sell or buy virtual currencies; and

(c) where the persons making the offers or invitations to exchange buy or sell virtual currency are different from the persons accepting the offers or making the offers, to exchange, sell or buy virtual currencies,

but does not include a place or facility used by only one person —

(i) to regularly make offers or invitations to sell, purchase or exchange virtual currencies; or

(ii) to regularly accept offers to sell, purchase or exchange virtual currencies;

MAS' Response

6.4 MAS has reassessed the activities that make up Activity 4 to determine if they are retail payment services (i.e. those that directly serve merchants or consumers, and process funds or acquire transaction), and whether they pose any of the regulatory risks or concerns identified as being significant to retail payment services.

6.5 MAS will not require service providers that only process data to hold a licence under the PSB. In this regard, MAS notes that technology-only service providers and inter-bank payment services do not pose the same risks that front line retail payment services pose.

Inclusion of payment terminal manufacturers and software developers

6.6 Most respondents asked MAS to exclude payment terminals manufacturers and software developers. They reasoned that overly onerous regulations and costs on entities who were only providing support functions were unnecessary. However, some respondents suggested that technology risk management guidelines should be introduced to ensure consistency of technology standards with the banking industry. A few respondents asked MAS to consider regulating payment terminal providers, reasoning that it would be an important step towards establishing interoperability standards.

MAS' Response

6.7 MAS agrees with the general feedback that entities that provide support functions to front line payment service providers should be excluded. MAS may consider data processers as third party service providers to payment services licensees and introduce guidelines to set standards on technology risk management.

6.8 MAS agrees with the feedback that the PSB should include the ability to regulate payment terminal providers for interoperability reasons. While the provision of a point of sale terminal is not regulated as an activity, MAS notes that most terminals are provided by merchant acquirers. Merchant acquiring services will be regulated under the PSB as Activity D and MAS will have interoperability powers over providers of these services.

Inclusion of inter-bank payments messaging platforms

6.9 As the question of inclusion of inter-bank payment and messaging systems was also covered in Activity 6, all relevant responses have been consolidated with the responses received for Activity 6.

7 Activity 5: Payment Instrument Aggregation Services

7.1 MAS sought comments on the scope of Activity 5 and whether mobile wallets should be regulated as payment instrument aggregation services.

7.2 Most respondents suggested that the scope should not include platforms that did not store financial data, or did not access the underlying payment instrument. These entities were likely to only be providing an additional service on top of the underlying payment transaction. However, a few respondents raised concerns on cyber security risks, and suggested that technology risk management guidelines should apply to the licensee. A few requested for further clarification on the definition of a payment instrument aggregation service.

MAS' Response

7.3 MAS agrees with the feedback and has proposed not to regulate services, including payment instrument aggregation services where the service provider does not process funds. Entities that merely store and relay payment information will not be required to hold a licence under the PSB. The activity of payment instrument aggregation service is not a regulated activity under the PSB for which a licence is required. As mentioned in Part 6 of this paper, MAS may consider data processers as third party service providers to payment services licensees and introduce guidelines to set standards on technology risk management.

8 Activity 6: Operating Payment Systems

8.1 MAS sought comments on the scope of Activity 6, and asked for views on the following:

(a) whether to include settlement institutions as part of Activity 6;

(b) the approach not to regulate intra-bank payment systems and internal corporate payment systems; and

(c) the merits and practicalities of regulating operators of international inter-bank payment and messaging systems under Activity 6.

8.2 Many respondents again gave feedback that the scope of Activities 2, 4, 5 and 6 could be more clearly defined and overlapping scope should be avoided. Many respondents also raised issues relating to the comprehensiveness and clarity of the scope

of payment activities to be regulated under the proposed payment framework and the list of potential licensees and exclusions.

8.3 Several respondents gave feedback that the intensity of regulation should be proportional to the nature, size and risk of the payment activity conducted. A few respondents requested for a level playing field with regulations based on product features and not place of domicile or territorial presence.

8.4 A few respondents gave feedback that, firstly, there was no need to subject international payment card schemes and related card operating rules to local regulations to avoid double regulation with the requirements imposed by the card schemes' home regulator. Secondly, the respondents felt that the operation of a payment system was a complex matter and an overly prescriptive regulation was likely to undermine competition between providers and reduce incentives to innovate. Thirdly, requiring interoperable payment systems undermines competition and innovation. Lastly, further segregation should be provided to address the different risks posed by large-value and retail payment systems.

8.5 A few other respondents indicated that the list of proposed licensees was comprehensive. In addition, the respondents felt that the PSB should encourage the inclusion of exemptions or a lighter touch regime for non-bank players that operate payment systems dealing with low transaction volumes.

8.6 Yet another few respondents indicated that the list of proposed licensees was excessive and suggested a risk-based approach where the scope of regulated entities was commensurate with the risk each type of entity pose to the financial system. In addition, the respondents requested that MAS take into account the regulatory burden of a licensing regime and the possible requirement for multiple licences on a single entity.

8.7 A few respondents suggested that the scope should be increased to include all underlying payment systems transmitting financial transactions and MEPS+.

MAS' Response

8.8 MAS has provided more clarity in the PSB Consultation Paper on the scope of the regulated activities and regulatory boundaries for each of the activities. The scope, nature and intensity of the regulatory framework and requirements have been tailored according to the risk posed by each type of activity and the size of entities. MAS intends to require any payment firm to only hold one licence at any one time to conduct multiple licensable activities.

8.9 MAS intends to exclude inter-bank payment systems from the licensing framework as they are not customer or merchant facing. However MAS will continue to designate critical payment systems for financial stability, competition or efficiency reasons.

Inclusion of Settlement Institutions

8.10 Majority of respondents agree to include settlement institutions in the scope of regulated activities due to the critical role and systemic nature of settlement institutions. However, a few respondents requested that MAS clarify the types of entities regulated under this Activity and the difference between settlement institutions and remittance businesses under Activity 3.

8.11 One respondent was against including settlement institutions under the PSB as the nature of the activities conducted by settlement institutions was not customer facing.

MAS' Response

8.12 As settlement system providers do not deal directly with merchants or consumers, but instead serve other financial institutions, MAS does not consider such settlement services as retail payment services. Settlement systems that are systemically important or are of system wide importance may be subject to designation for financial stability or for public interest. MAS may also designate a significant settlement system for competition or efficiency reasons.

Exclusion of Intra-bank and internal corporate systems

8.13 Many respondents were supportive of the proposal to exclude intra-bank payment systems and internal corporate payment systems from the regulatory scope. Several respondents highlighted that the low risk posed by intra-bank payment and internal corporate payment activities does not warrant any additional regulatory scrutiny.

MAS' Response

8.14 MAS notes the general feedback that intra-bank and internal corporate systems should be excluded from regulation as they do not carry sufficient risk or regulatory concerns. MAS has proposed to expressly exclude such services from regulation, in a schedule to the PSB.

Inclusion of inter-bank payments messaging platforms

8.15 There was mixed feedback from respondents on this issue.

8.16 A few respondents agreed that international inter-bank payment and messaging systems should be regulated given that they posed similar risks as payment service providers. Proponents also argued that regulation would be beneficial to formalise and standardise best practices. In addition, a few respondents requested for a level playing field for all payment and messaging systems, regardless if they were operating inside or outside of Singapore, as long as they were soliciting Singapore residents to provide payment services.

8.17 Many respondents were either not supportive of the proposal to regulate operators of international messaging systems or raised practical implementation issues of regulating operators of international messaging systems that were licensed or regulated in multiple countries. Those that were against inclusion saw no merit, as the entities with direct interaction with the source of funds were already regulated, thus covering concerns on ML/TF and user protection.

8.18 A few respondents requested for more clarity in terms of the perceived overlap between Activities 4 and 6 and the definition of international payment and messaging systems. A few respondents also requested clarity on whether there would be exemptions for operators of international messaging systems that were licensed and regulated in other jurisdictions.

MAS' Response

8.19 MAS agrees with respondents that inter-bank messaging platforms do not pose the same type of risks compared to front line retail payment systems. MAS will not regulate these platform operators under the licensing regime. Services provided by these operators will be treated as third party service providers.

9 Activity 7: Holding Stored Value Facilities

9.1 MAS sought comments on the scope of Activity 7, and the following areas:

(a) the proposal not to regulate businesses that allow customers to pre-pay for specific products and services, are of limited purpose in terms of usage or acceptance, or where stored value is a by-product from a merchant's enhancement of existing business processes, such as earning points and rewards, which can be claimed for future redemption;

(b) whether any existing business models may inadvertently or unfairly be considered as undertaking Activity 7; and

(c) the approach to allow various mechanisms for licensees to safeguard customers' funds, and whether the protection should cover both Singapore and non-Singapore residents.

9.2 Most respondents commented that the definition of Activity 7 was unclear and therefore felt that the list was not comprehensive, or were unable to comment. A few respondents agreed with the scope of Activity 7, while some suggested that the current stored value facility ("**SVF**") regulations should continue without further requirements. There were also respondents who requested that funds that were held temporarily for the purpose of settling payment transactions should be excluded from Activity 7. A few respondents also suggested that MAS not require local SVF holders to aggregate the stored value float held by their foreign controlled or influenced holders.

MAS' Response

9.3 MAS has provided clear descriptions of the regulated activities in the PSB. The activities that are relevant to the issuance of SVF are Activity A (Account Issuance Services) and Activity E (E-Money Issuance). Please see Part 3 of this paper for the commentary on Activity A. Please also see the PSB Consultation Paper for an explanation of the scope of e-money and the relationship between e-money and other currency related terms. The scope of e-money is slightly different from stored value in an SVF. While stored value is limited to pre-payment for goods and services, e-money does not have this restriction; it may be used for purchases as well as peer-to-peer transfers.

9.4 MAS notes the feedback relating to compliance burden of smaller firms, and in response intends to introduce a tiered approach which considers the float amount held by entities. As mentioned in Part 2 of this paper, MAS will allow smaller payment firms that accept, process or execute transactions (including payment transactions) or hold e-money float under the specified thresholds to comply with a lighter set of requirements. AML/CFT regulations will also be calibrated in consideration of risk characteristics including load capacity of the payment account.

Exclusion of limited purpose e-money, loyalty points and rewards

9.5 Majority of respondents agreed not to regulate businesses that allow customers to pre-pay for specific products and services and are limited purpose in terms of usage or acceptance. These respondents also agreed that loyalty programs should not be regulated. These programs are where stored value is a by-product from a merchant's enhancement of existing business processes, such as earning points and rewards, which can be claimed for future redemption. The reasons cited for such views are as follows.

(a) Requirements could be excessively onerous for SMEs and the increased regulatory costs may be passed on to consumers. Commercial activity has low risks of abuse and minimal impact on the financial stability of payment systems, and major financial centres do not regulate such SVFs.

(b) Customer remedies in relation to businesses offering prepaid solutions should fall within the ambit of consumer protection law.

(c) Merchants offering an internal payment option should not be regulated, as it goes beyond the definition of payment service providers.

9.6 However, remaining respondents felt that businesses that accept pre-payments should be included to better protect consumers and to minimise regulatory arbitrage. The proposed exclusion should also take into account the current exclusion from the definition of a relevant stored value facility in Para 2.1 of the MAS Notice PSOA-N02.

9.7 Some respondents raised concerns that gaming credits and frequent flyer programs may inadvertently be caught under this activity.

MAS' Response

9.8 MAS agrees that limited purpose SVFs are lower risk in nature and are often not considered payment service providers in major jurisdictions.

9.9 MAS has proposed to carve out certain limited purpose SVFs under the PSB. MAS considers these e-wallets to carry low ML/TF risks and are limited in consumer reach. The e-wallet has to contain electronically stored monetary value that is, or is intended to be, used only in Singapore, and satisfies any of the following characteristics:

a) it is used for payment or part payment of the purchase of goods from the issuer or use of services of the issuer, or both;

b) it is used only within a limited network of franchisees or related companies; or

c) all the monetary value stored in the e-wallet is issued by a public authority,[4] or a public authority has undertaken to be fully liable for or provided a

[4] "public authority" means —

guarantee in respect of all the monetary value stored in the e-wallet, in the event of default by the issuer.

9.10 MAS has also proposed not to treat monetary value stored accumulated in a loyalty program as e-money. The issuance of such stored value will not be a regulated activity under the PSB. Electronically stored monetary value in any payment account that fulfils all the following characteristics will not be regulated under the PSB.

(a) It is denominated in any currency;
(b) It is issued by an issuer as part of a scheme, the dominant purpose of which is to promote the purchase of goods from, or the use of services of, the issuer, or by such merchants as may be specified by the issuer;
(c) It is issued to a user as a result of the user purchasing goods from, or using the services of, the issuer, or such merchants as may be specified by the issuer;
(d) It is used for the payment or part payment of the purchase of goods or use of services, or both;
(e) It is is not part of a financial product;
(f) It cannot be withdrawn by the user from the payment account in exchange for currency; and
(g) It cannot be refunded entirely to the user where the electronically stored monetary value is more than S$100, unless the issuer identifies and verifies the identity of the user requesting the refund.

Protection of customers' funds

9.11 Majority of respondents agreed with the approach to allow various mechanisms to safeguard customers' funds. That being said, one respondent strongly disagreed with the approach of requiring all SVF holders to safeguard customers' funds, citing onerous obligations and excessive operating costs without any identified risk. Some respondents also felt that the proposed safeguarding mechanisms might not be readily available for SVF holders.

(a) the Government, including any ministry, department and agency of the Government, or an organ of State; or
(b) any statutory body;

9.12 There were mixed responses on whether safeguarding of funds should cover funds received from both Singapore and non-Singapore residents. Some respondents felt that the protection should only cover Singapore residents, as the increase in cost could put Singapore-based providers at a competitive disadvantage to other providers. One respondent felt that the safeguards should cover non-Singapore residents to the extent that such SVFs are offered to them in Singapore, acquired by them in Singapore, or are intended for usage in Singapore.

MAS' Response

9.12.1 MAS is of the view that safeguarding of customers' funds should be in place to promote customer confidence in the use of e-money. In this regard, MAS will require safeguarding of e-money float above S$5 million, instead of the current S$30 million under PS(O)A. The float is the total e-money float that a payment firm issues, across all e-wallet products that it operates.

9.12.2 MAS took into consideration the feedback that large payment firms may have global float that is accumulated across different jurisdictions. It would be sensible that the safeguarding measures were limited to the float in Singapore. That being said, MAS also recognises that some consumers based in Singapore are not Singapore citizens or Permanent Residents but should also be accorded protection over their portion of the float. Balancing all the above mentioned factors, MAS proposes to require larger payment firms (with a float above S$5 million) to safeguard e-money float that is collected from Singapore residents with the residency status to be contractually agreed upon between the payment firm and the user (or customer). Factual residency is not required. Where the payment firm does not safeguard the customer's e-money, the firm is to clearly disclose this to the customer.

9.12.3 MAS has paid close attention to industry feedback that there should be more statutory options for safeguarding of e-money float. In response to such feedback, MAS proposes to expand the safeguarding mechanisms in the PSB, beyond the single safeguarding mechanism set out in the PS(O)A. Larger payment firms will be allowed to safeguard e-money float in one or more of the following ways, but will be required to disclose to the customer the way in which the funds will be safeguarded.

(a) The float is covered by an undertaking from any full bank which is fully liable to the e-money user for such moneys;
(b) The float is guaranteed by any full bank;

(c) The float is deposited in a trust account with any full bank no later than T+1[5];

(d) The float is deposited in a trust account with an authorised custodian specified or prescribed by MAS no later than T+1;

(e) The float is invested in any secure, liquid, and low risk assets as MAS may prescribe, no later than T+1, and the assets are deposited in a trust account with an authorised custodian prescribed or specified by the Authority.

MONETARY AUTHORITY OF SINGAPORE

21 November 2017

[5] T+1 refers to the next business day following the day on which the payment firm receives the money from its customers.

Monetary Authority of Singapore

RESPONSE TO FEEDBACK RECEIVED

August 2017

Proposed Establishment of a National Payments Council

Monetary Authority of Singapore

Contents

1 Preface

1.1 On 25 August 2016, MAS consulted on establishing a national payments council.

1.2 The consultation period closed on 31 October 2016 and MAS thanks all respondents for their contributions. The list of respondents is in Annex 1 and the full submissions are provided in Annex 2[1].

1.3 MAS has considered the feedback carefully, and has incorporated specific suggestions into the scope and mandate of the proposed Payments Council.

1.4 The responses below relate specifically to feedback received on the establishment of the Payments Council. MAS will respond to feedback received on the proposed activity-based payments framework in November 2017.

[1] Some names and submissions are omitted on request of confidentiality by the respondents.

2 Payments Council Objectives and Activities

2.1 MAS proposed to set up a Payments Council with a mandate to foster innovation, competition and collaboration in the payments industry. MAS consulted the industry on the proposed objectives of the Payments Council, which included:

a) Governance and stakeholder engagement,

b) Coordination and implementation,

c) Research and surveillance, and

d) Advisory, policy and enforcement.

2.2 Respondents were supportive and welcomed the establishment of the Payments Council to help shape the future of Singapore's payments ecosystem.

2.3 Most respondents agreed with the Payments Council's proposed objectives on engaging stakeholders, improving coordination and advising MAS. Such objectives would encourage collective action and bring efficiency to the payments sector, while aligning with national interests at the same time. Most respondents were also supportive of the Council undertaking research and surveillance activities.

2.4 While most respondents had no comments about project management, the few who disagreed raised concerns that undertaking project management activities would be a costly endeavour due to the additional funding and resources required.

2.5 Many respondents expressed concerns about the Payments Council's role in governance and enforcement, and sought clarity on the division of roles between the Payments Council and MAS (with its mandate over payment system supervision and oversight). Several respondents suggested that the Payments Council would serve best in an advisory role instead of functioning as a regulatory body.

MAS' Response

2.6 MAS agrees that the objectives of the Payments Council should be to facilitate stakeholder engagement, promote collaboration and coordination, and provide an advisory role to MAS on payments related issues.

2.7 While most respondents were open to the Payments Council conducting research and surveillance, the Payments Council will not be required to actively carry out

such activities. However, the Payments Council may from time to time be called upon to conduct research and surveillance in support of payments-related projects.

2.8 Implementation roles such as executing projects will be out of the Council's scope of responsibilities. However, while the Payments Council will not undertake and implement projects, it may be called upon to facilitate strategic payments projects and initiatives.

2.9 Objectives related to governance, regulation and policy-making will continue to reside with MAS. Hence, the key activities of the Payments Council will relate to facilitating industry discussion and coordination, and advising MAS on payments and related issues. To better reflect the key objectives and activities of the Payments Council as an industry advisory and collaborative body, MAS has decided to refer to this as the Payments Council, instead of the national payments council.

Assuming Responsibilities of Singapore Clearing House Association (SCHA)

2.10 MAS proposed that the Payments Council could assume SCHA's current role as one of its activities, and sought comments on the Payment Council's proposed powers over payment systems and its participants, as well as the proposed payment systems to be governed. MAS also sought views on whether the Payments Council should introduce a membership fee to charge members for participation in the payment systems governed by the Payments Council.

2.11 The majority of respondents commented that it was not appropriate for the Payments Council to assume SCHA's role, citing a conflict of interest and confidentiality. Since the SCHA appointed vendors to manage and operate payment systems, these respondents pointed out a strong likelihood that the vendors in consideration could be Council members themselves. Similarly, potential confidentiality issues related to contracts could arise as competing vendors could be part of the Payments Council.

MAS' Response

2.12 MAS agrees that the SCHA ought to continue its current activities. The Payment Council will function in an advisory capacity and thus, will not be empowered to establish and enforce by-laws, and rules and regulations of payment systems, nor will it be empowered to appoint vendors for payment systems. In view of this, subsequent proposals relating to governance, management and operation of payment systems by the Payments Council instead of the SCHA are no longer relevant. However, in order to

improve coordination between the Payments Council and SCHA, the Chairman of the SCHA will be invited to join the Payments Council as an ex-officio member.

Single Point of Contact

2.13 Most respondents disagreed with the proposal for the Payments Council to function as a single point of contact for public feedback and complaints, and many pointed out that existing channels are already in place for such engagements. Most businesses have already established processes to address customer feedback and complaints and respondents felt that there was no need to duplicate efforts. Furthermore, as a multi-party Council, it would be challenging to route the feedback to the right parties. Several respondents suggested that the Payments Council could consider accepting broad public feedback on industry developments and activities in the payment system.

MAS' Response

2.14 MAS agrees that complaints and feedback at an institutional level should remain with the relevant organisation. Similarly, there are existing channels for general public feedback, such as via MAS, MoneySense, the Association of Banks and CASE. In view of this, there is no compelling reason for the Payments Council to undertake this role.

3 Composition of the Payments Council

3.1 MAS sought feedback on the proposed membership structure, representation on the Payments Council, a proposal of a two-year term with rotating members, as well MAS' role in the Payments Council.

Proposed Membership Structure and Representation

3.2 Most respondents agreed that the Payments Council ought to be represented by members from the supply and demand side and agreed with the proposed composition. Some respondents requested for clarification on Payments Council representation and selection criteria, and highlighted that membership ought to be limited to prevent the Council from becoming too large and unwieldy. A few respondents also cited concerns that the inclusion of demand and government members might hinder the progress of discussion due to a lack of familiarity with the payments industry.

3.3 Most respondents agreed that representation from each member should be at a CEO or senior management level in order to lend proper weight to the Council. Many

respondents were neutral to the fixed term, although a small number suggested extending the two-year to cover projects that the Council might need to manage. A few respondents also suggested that the Council be made up of both permanent and rotating membership.

MAS' Response

3.4 MAS agrees that the Payments Council membership should have representation from both supply and demand sides.

3.5 MAS will invite members that can best represent their relevant community. From the supply side, MAS will draw representation from local and foreign banks, as well non-bank payment service providers. In order to reflect the views of the diverse demand side users, MAS will invite businesses, trade associations and chambers of commerce. As users of the payments system, the demand side voice is crucial for meaningful and well-rounded discussions.

3.6 Payments Council members will be appointed for a two-year term, in line with other MAS committees. As the Payments Council will not undertake any project management role, there is no need for a longer term.

MAS' Role as Chair in the Payments Council

3.7 Most respondents agreed that MAS' role as chair of the Payments Council would best serve the purpose of driving initiatives aligned to Singapore's long term payments vision. A few respondents were concerned that the Payments Council would be too heavily influenced by a public body, and this might hinder the Council's mandate to promote innovation. These respondents preferred an independent party to chair the Payments Council instead of MAS.

MAS' Response

3.8 MAS has long supported and promoted a culture of innovation in the financial sector and understands this to be critical in developing an open and efficient payments industry. MAS believes its role as chair in the Payments Council will balance public and private interests, and will continue to encourage innovation as long as it does not run counter to the safety and soundness of the ecosystem. MAS will invite FinTech players to join the Council as members, as well as share the latest innovations and developments with the Payments Council.

4 Ownership of the Payments Council

4.1 MAS sought comments on the possible models for ownership that would allow the Payments Council to achieve its objectives and mandate.

4.2 Most respondents felt that the Payments Council should follow a public ownership model to best align with its public mandate. A few respondents did not see the need for private or public ownership for the Council.

MAS' Response

4.3 As the Payments Council will function as an industry coordination and advisory body chaired by MAS, ownership of the Council will no longer be an issue.

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2 August 2017

Annex 1

LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED ESTABLISHMENT OF A NATIONAL PAYMENTS COUNCIL

1. Alipay Singapore E-commerce Pte Ltd, who requested for their comments to be kept confidential.
2. Allen & Gledhill LLP, representing Barclays Bank, Credit Suisse, J.P Morgan Chase Bank (Singapore Branch), OCBC, Standard Chartered Bank, and UBS, who requested for their comments to be kept confidential.
3. American Express International Inc., Singapore Branch, who requested for their comments to be kept confidential.
4. Australia and New Zealand Banking Group Ltd, Singapore Branch, who requested for their comments to be kept confidential.
5. Association of Cryptocurrency Enterprises and Startups Singapore (ACCESS)
6. AXS Pte Ltd, who requested for their comments to be kept confidential.
7. Banking Computer Services Pte Ltd, who requested for their comments to be kept confidential.
8. Bullionstar Pte Ltd
9. Consumers Association of Singapore (CASE)
10. Competition Commission of Singapore (CCS), who requested for their comments to be kept confidential.
11. Deutsche Bank
12. Diners Club (Singapore) Pte Ltd, who requested for some comments to be kept confidential.
13. Docomo Digital (NTT Docomo Group), who requested for their comments to be kept confidential.
14. Dr Sandra Booysen

15. East Springs Investments (Singapore) Ltd
16. EZ-link Pte Ltd, who requested for their comments to be kept confidential.
17. Fintech Alliance, an associate of the Singapore Infocomm Technology Federation
18. Lufthansa AirPLus Servicekarten GmbH
19. M1 Ltd
20. Mastercard Asia/Pacific, who requested for their comments to be kept confidential.
21. MoneyGram International, who requested for their comments to be kept confidential.
22. Network for Electronic Transfers (S) Pte Ltd, who requested for some comments to be kept confidential.
23. OKLink Technology Company Ltd
24. PayPal Pte Ltd (3PL), who requested for their comments to be kept confidential.
25. Rajah & Tann Singapore LLP
26. Red Dot Payment Pte Ltd, who requested for their comments to be kept confidential.
27. RHTLaw Taylor Wessing LLP
28. Ripple
29. Singapore Post Ltd
30. SingCash Pte Ltd ; Telecom Equipment Pte Ltd; Singtel Mobile Singapore Pte Ltd (Singtel)
31. StarHub Mobile Pte Ltd (StarHub)
32. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch ("HSBC Singapore Branch"); HSBC Bank (Singapore) Limited ("HSBC Singapore"); and HSBC Insurance (Singapore) Pte Limited, who requested for all comments to be kept confidential
33. TransferWise

34. UnionPay International (UPI), who requested for their comments to be kept confidential.

35. United Overseas Bank Ltd

36. Visa Worldwide Pte Ltd, who requested for their comments to be kept confidential.

37. Western Union

38. Wex Asia Pte Ltd, who requested for their comments to be kept confidential.

39. Wirecard Singapore Pte Ltd

40. WongPartnership LLP

41. Respondent A who requested for confidentiality of identity

42. Respondent B who requested for confidentiality of identity

43. Respondent C who requested for confidentiality of identity

44. 7 respondents requested for full confidentiality of their identity and submission.

Please refer to **Annex 2** for the submissions.

Annex 2

FULL SUBMISSIONS FROM RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED ESTABLISHMENT OF A NATIONAL PAYMENTS COUNCIL

S/N	Respondent	Responses from Respondent
1	Alipay Singapore E-commerce Pte Ltd	Requested for all comments to be kept confidential
2	Allen & Gledhill LLP	Requested for all comments to be kept confidential
3	American Express International Inc., Singapore Branch	Requested for all comments to be kept confidential
4	Australia and New Zealand Banking Group Ltd, Singapore Branch	Requested for all comments to be kept confidential
5	Association of Cryptocurrency Enterprises and Startups Singapore (ACCESS)	**Question 36** • ACCESS believes NPC's intent is good, that is, aim to get consumer and buy-side feedback. But ACCESS believes it's a concern if NPC has enforcement powers. **Question 37** • What's the intent of the NPC? Is it to gather feedback? Is there a challenge with the existing payments? **Question 38** • In view of Activity 6 (Payment Systems) being the basic infrastructure that the other Activities are built upon, the NPC's scope should be linked as such. Same goes for public transport card operators (e.g. EZ-Link & CashCard) **Question 40** • ACCESS believes that NPC should be a feedback entity and not an enforcement entity. **Question 41**

S/N	Respondent	Responses from Respondent
		• ACCESS believes it can be the point to collect feedback for Singapore relating to payments, but not in the sense to enforce e.g. penalties. **Question 42** • ACCESS believes NPC should represent all categories and not only Activity 6. **Question 44** • If MAS's role at the NPC is to primarily be the observer of activities, we believe it is fine. **Question 45** • ACCESS believes the composition of members must be a fair representation of the stakeholders in Singapore in relation to the PPF. **Question 46** • ACCESS believes if NPC is inclusive and represents the whole nation in terms of payments with no enforcement powers, then NPC is a great entity to nurture. **Question 47** • Access believes that a progressive method and flexibility should be put in place in case one method doesn't work. **Question 48** • Voting is not mentioned in the paper. Is there a reason why it was left out? **Question 49** • Some members believe maybe we can have a separate legal body to deal with complaints and conflicts. The NPC should be a public body to prevent any potential conflicts of interest associated with a profit-seeking private organization **Question 50** • If a hybrid model is in place, we believe compensation structure must be carefully considered in order to prevent wrongdoings.

S/N	Respondent	Responses from Respondent
		Question 51 • ACCESS believes NPC should not have enforcement powers but only a central point of contact for payment stakeholders. **Question 52** • ACCESS would like to know the intent of having a payment intent run by the NPC. **Question 53** • ACCESS believes it is not a reasonable expectation for NPC to be sustainable based on membership fees. **Question 54** • ACCESS does not agree with the NPC having enforcement powers. **Any other comments:** • From a governance point of view: - NPC should not have enforcement powers -NPC should not be supported (only) by memberships fees
6	AXS Pte Ltd	Requested for all comments to be kept confidential
7	Banking Computer Services Pte Ltd	Requested for all comments to be kept confidential
8	Bullionstar Pte Ltd	**Question 53** • We encourage MAS to research and consider both the direct and indirect additional start-up and maintenance costs for SMEs that become subject to licensing and/or enhanced regulations and whether those increased costs are compatible with the overall Singaporean government's objective of productivity, competitiveness, consumer choice and business friendliness.
9	Consumers Association of Singapore (CASE)	No comments registered for the Payments Council

S/N	Respondent	Responses from Respondent
10	Competition Commission of Singapore (CCS)	Requested for all comments to be kept confidential
11	Deutsche Bank	**Question 36** • We support the MAS's proposal on the NPC's mandate to foster innovation, competition and collaboration in the payments industry. • We commend the proposal of having representatives from both the demand and the supply side as NPC Board members. As the demand and supply side representatives will have divergent interests and be represented at the same table, this should lead to greater collaboration which will in turn foster innovation and lower costs. • We disagree that publishing industry-wide rules and enforcing compliance, except beyond those linked to the by-laws of the payments systems overseen by NPC, should be an objective of the NPC. Compliance with industry-wide regulations should be responsibility of individual payment service provider under the supervision of and within the framework designed by the financial regulator, the MAS. We therefore request deletion of the second part of point (k) under 3.3 and suggest rewording the first part to make it clear that the NPC will only promote effective implementation of MAS policies, not play a policy-making or an enforcement role. • We agree with the remaining of the proposed objectives. Accordingly, we propose the following objectives for the NPC - o Governance and stakeholder engagement o Coordination and implementation o Research and surveillance and o Advisory and policy support **Question 37** • We support the proposal that existing Designated Payment Systems and other systemically important payment systems and schemes in Singapore should be governed by the NPC. However, as set out in Question 3, we seek clarification on whether MAS will consider publishing a framework for domestic

S/N	Respondent	Responses from Respondent
		systemically important non-banks in the payment eco-system to sit in parallel to that for D-SIBs. **Question 38** • We support in principle the proposal that payment systems should be governed by the NPC. In this regard, we support the proposal to link the scope of the NPC to Activity 6 of the PPF. However, as suggested in response to Question 1, the PPF should be based on a proportionality framework whereby a new payment service provider may be subject to a minimum level of regulatory requirements as compared to a payment service provider that has a material impact to the Singapore financial system and therefore will be subject to a higher level of regulatory requirements or included in scope of designation regime. • We also seek clarification that MAS as the regulator would still determine any such designation, not the NPC. As mentioned in our response to Question 37, we seek clarification on whether MAS will consider publishing a framework for identifying and supervising domestic systemically important non-banks in the payment eco-system to operate alongside that for D-SIBs which takes into account payments activity. **Question 39** • We support the MAS's proposal to include MAS Electronic Payment System (MEPS+) to be included as one of the payment systems governed by the NPC under the designation regime as we deem it to be a critical application for Singapore's financial system. • As suggested in response to Question 38 and in line with our proposal of a transparent proportionality framework as the basis of PPF, we suggest that the PPF contain guidelines on when a payment system will become a designated payment system and thereby be subject to the PPF, governed by the NPC.

S/N	Respondent	Responses from Respondent

		Question 40
		• We agree with the activities proposed in section 3.5 of the consultation. These are in line with our response to Question 36, where we support the NPC defining and enforcing the by-laws of payments systems it oversees, but disagree that it should be able to publish or enforce compliance with industry wide rules.
		• The activities listed in section 3.5 will help the NPC to achieve the proposed objectives in 3.3 (except point k as discussed above). We have classified the activities listed in section 3.5 in line with the objectives we support:
		  • Governance and stakeholder engagement
		  ○ Define and enforce by-laws, scheme rules and conditions governing the participants and operators of the systems
		  ○ Determine membership fees, pricing policies, and access for the use of existing payment systems
		  • Coordination and implementation
		  ○ Appoint and manage contracts with service providers for the provision of central payment systems
		  ○ Manage, coordinate, and execute projects to improve payments ecosystem
		  ○ Drive electronic payments adoption
		  ○ Conduct consumer awareness campaigns and road shows
		  • Research and surveillance and
		  ○ Assess, endorse, and enforce best practices and international payments industry standards.
		  ○ Promote regional payments initiatives
		  • Advisory and policy
		  ○ Develop strategies and policies to address gaps in retail payment product
		  ○ and service provision and drive migration away from paper based
		  ○ payment instruments and processes
		• We are supportive of the proposed activities as listed above.

S/N	Respondent	Responses from Respondent
		Question 41 • We support the proposal of the NPC to function as a single point of contact for public feedback and complaints related to payment in Singapore. There are multiple benefits for this: a) the NPC can perform the ombudsman role over the Singapore payments industry for the MAS; and b) It will enable the NPC to enforce best practices across the payments industry by setting up a mechanism or process by which firms may be benchmarked against and held accountable on ethical behaviour and professional conduct. • In line with this suggestion, the objectives of the NPC should include investigating and addressing complaints relating to payments in Singapore under the category of Governance and Stakeholder Engagement. In the first stage of the grievance process, the complaint should still be directed to the service provider in question. If the consumer is still unsatisfied with the resolution of the complaint, then the option should be made available for the consumer to contact the NPC as the final escalation point. There should be a high level of transparency to the service provider regarding the complaints made against it and resolutions between the consumer and the service provider should always be encouraged as the preferred method. **Question 42** • We support the proposal of the NPC Chairman being a representative from MAS and chairing the NPC board meetings. As mentioned in our response to Question 36, we support representatives from both the demand and the supply side as board members for the NPC. A wide range of activities will be governed by the NPC under the PPF and representations from both the demand and the supply side will ensure robust governance, promote innovation and reduce costs.

S/N	Respondent	Responses from Respondent
		Question 43 • Careful consideration should be undertaken regarding the benefits of expanding the participation in the clearing and payment systems. Banks have a strong AML and CTF control mechanism, which the other non-bank participants may not have which may result in increased risks. Cost and efficiency benefits would be key factors when considering expanding the participation in the clearing and payment systems. • However, the benefits have to be measured against the money laundering and terrorism funding risk before a decision should be made. • The PPF should help address these risks, once fully implemented, as it would cover a wide range of currently non-regulated firms. Thought should be given to sequencing of reforms and the conditions under which participation could be expanded. MAS may wish to consult the industry on this in subsequent consultations. **Question 44** • We support MAS's proposal on the active role it will play in the NPC as the chair of the NPC Board with the casting vote and the powers to veto any decision. **Question 45** • As noted in our response to Question 36, we support MAS's proposal on equal representation from both the demand and supply side to the NPC board. This will ensure a balanced view from both the customers and service providers which will foster innovation and competition, while raising the minimum standards across all players in Singapore's payment industry. **Question 46** • We support the proposal that the NPC Board members should hold a position of CEO or equivalent. The board members could be supported by activity-based working groups which will bring in

S/N	Respondent	Responses from Respondent
		the relevant technical expertise to support the strategic decision making by the Board. • We propose that the number of the NPC Board members in each term be kept at a size adequate to facilitate decision making, but suitably represented by the wide spectrum of industry players. **Question 47** • We support MAS's proposal that the NPC Board members should be appointed based on their competency, good public standing, skill-sets and experience in their respective industry. Feedback should be taken from industry bodies when selecting the board members representing the banking community or trade and consumer associations. The criteria for being a NPC board member should be published to ensure transparency in the selection process. • We propose a fixed term of 3 years, with a third of the board members be rotated at the end of the year to ensure change and continuity. **Question 48** • We support the MAS proposal on the voting process for resolution of the NPC Board matters and decisions. **Question 49** • The overriding objective of NPC must be to act in the interest of the public. While a publicly owned model may explicitly serve this objective, a privately owned model may still be designed in such a way that the public interest is still the overriding objective, while under private sector structures. • In line with the Singapore Ministry of Finance's (MOF) goal to collaborate with industry experts to make Singapore a world-class financial and business hub with a focus on development, we encourage them to look at innovative solutions to create a mixed model. One of the options is that NPC could be set-up as a not for profit company, wholly owned by the MOF.

S/N	Respondent	Responses from Respondent
		Question 50 • As per our response to Question 49, we propose that the overriding objective of the NPC should be to serve the interests of the consumers. We suggest that whatever the ownership model of the NPC, the set-up should reflect this, e.g. as a not for profit company. An option is that it can be wholly owned by MOF. The operating expenses of the council should be funded through the membership fees and the activity fees that should be charged to the members. **Question 51** • We broadly agree with the powers of the NPC suggested in 3.12-3.15, subject to the caveat that enforcement powers should be limited to the by-laws of the payment systems overseen by the NPC, in line with the proposed mandate and objective as stated in our response to Question 36. **Question 52** • We propose that the NPC should have the option to appoint service providers to operate the clearing and payment systems with appropriate governance structures to oversee the service providers. **Question 53** • We support the proposal of the NPC charging membership fees to cover its operational expenses. However we propose that the NPC should not be profit motivated, i.e., it should be set up as a not for profit company, with the intent to foster innovation and improve the standards in the payment industry in Singapore. **Question 54** • We broadly agree with the powers of the NPC suggested in 3.12-3.15, subject to the caveat that enforcement powers should be limited to the by-laws of the payment systems overseen by the NPC, in line with the proposed mandate and objective as stated in our response to Question 36.

S/N	Respondent	Responses from Respondent
12	Diners Club (Singapore) Pte Ltd	**Question 36** • Agree **Question 37** • The term of reference and scope of objective of the NPC is sufficiently wide to enable policy adjustments to be flexible enough to respond quickly to innovative developments in the Singapore market place. **Question 38** • The current use of store value card for public transport involve a substantial amount of cash top up and is not consistent with the national drive towards a cashless society. There is substantial scope for the international card scheme to be involved in driving the top up process to be done electronically to the card or through electronic bill presentment and payment system. This same process could cater not only to public transport system but also to electronic parking system (both private managed car parks and HDB) and even to domestic gas and electricity usage. **Question 39** • Agree **Question 40** • NPC should shape the Payment System Policy. Review it annually due to the fast changing landscape of payment channels/models. • Promote efficiency of the payment system such as common ownership of the UPOS • Moving the paper based instruments (i.e. cash and cheque) to an electronic based instruments (debit card, credit card etc.) • To consult widely relevant industry participants and subject matter experts **Question 41** • It is reasonable for NPC to function as a single point of contact.

S/N	Respondent	Responses from Respondent
		Question 42 • Proposed structure is agreeable. **Question 43** • Yes this will facilitate the objective of making Singapore from a predominately cash based society to a cashless society. The current 60% cash payment for consumer and the 30% cheque payment for business is way too high. In particular participation by non-bank institution in the FAST system should be encouraged for wider participation. At the present moment for participant as a customer FAST is too expensive and the cost should be made reasonable to these participants and non-bank institutions. **Question 44** • NPC should be advising MAS on Singapore Payment System Policies **Question 45** • The proposed composition of members seem adequate **Question 46** • There should be more weightage given to institutions that are issuing and acquiring the transactions as they are ultimately responsible for the source of fund and payment of fund. **Question 47** • Yes we find it reasonable. **Question 48** • Yes we find it reasonable. **Question 49** • Ownership should be public and non-profit oriented so that all levels of players have voice to vote. **Question 50** • We don't agree for private ownership since the objective of the NPF is multifaceted and does have a public policy objective, a public ownership structure

S/N	Respondent	Responses from Respondent
		will prevent conflict of interest which is possible in the case of private ownership interest. **Question 51** • The proposed extent and nature of the NPC's power over participants and schemes is reasonable and perhaps some suggestion for a periodic review of its role and effectiveness. **Question 52** • Yes they can appoint based on merit **Question 53** • NPC should be publically funded **Question 54** • Adequate
13	Docomo Digital (NTT Docomo Group)	Requested for all comments to be kept confidential
14	Dr Sandra Booysen	**Question 36** • I support the establishment of a National Payments Council to foster development in this area. • A body with a bird's eye view of the payments landscape and the goal of keeping Singapore's payment capabilities at the cutting edge, will benefit the financial sector. • As the consultation paper points out, other jurisdictions such as Australia and the UK, have seen the merit in such a move. • The payments domain is inextricably linked to technological capability and technology advancements are so rapid that it is important to have one's finger on the pulse, failing which developments are less likely to be detected. A dedicated body offers a way to achieve this. One small suggestion of how a payments council might stay in touch is to have an online blog/portal that harnesses the views of the tech savvy public (often the youth) who can alert the council to new developments.

S/N	Respondent	Responses from Respondent
		Question 40 • Studies have shown that one impediment to wider public adoption of electronic payment mechanisms, is a concern about the safety of such mechanisms. This issue links in with the KPMG August 2016 report at p 7 that an increased focus on, inter alia, consumer protection is needed. Based on my past analysis, banks in Singapore have numerous clauses in their Terms and Conditions that allocate the risk of fraud and errors to customers. This can be contrasted with the position, for example, in the UK where such clauses are less tolerated. I suggest that this is an issue that needs to be addressed to encourage more customers to embrace electronic platforms. I do believe that a more satisfactory balance of the respective interests can be achieved. o The UK's Payment Systems Regulator is currently investigating a 'super-complaint' that credit or 'push' payments pose greater risks for customers than debit or 'pull' payments and that banks can do more to protect customers from scams involving push payments. This is an issue that undoubtedly is of relevance also in the Singapore context. o It is worth considering how the new regulator can work with SPRING in its new role under the Consumer Protection (Fair Trading) Act in order to enhance consumer protection in financial contracts and promote confidence. • I believe that there is/will be academic interest in conducting empirical research about the payments sector, and that the findings of such research can benefit the NPC. The MAS/NPC can assist potential researchers by providing more payment statistics on their website. For example, I have struggled to find retail payment statistics going back further than the last three years in Singapore. I suggest that the MAS/NPC establish a 'Statistics' link on their website where researchers can access a wider

S/N	Respondent	Responses from Respondent
		and more comprehensive range of information to facilitate greater academic research in this area. **Question 45** • I agree that all stakeholders should be represented. **Any other comments:** • Having regard to the recent KPMG report, it does seem that Singapore has been passive about phasing out cheques although they have identified a shift to electronic payments as its goal. The UK experience has also shown that financial inclusion is important and cheque users should not feel marginalised. Within that paradigm, I believe that more can be done to encourage the transition away from cheques and to phase them out relatively painlessly. Obviously, viable alternatives that have similar features as cheque payments are important, and the proposed NPC will no doubt assist in this objective. There is a lot of research showing what influences customers when they select their payment instrument. Cost is just one example of a tool that can be used (incentives and disincentives) to change payment behaviour.
15	East Springs Investments (Singapore) Ltd	**Question 51** • We refer to MAS' proposal for the National Payments Council ("NPC") to govern payment systems that fall within the scope of Activity 6 under the PPF, and for the NPC to have powers to issue advisories and letters of reminders to payment system operators and participants, which do not adhere with the by-laws, scheme rules and conditions governing the participants and operators of the systems. Given that certain users of financial institutions' services are not subject to any form of oversight by any regulatory body or agency, we are of the view that participants of payment systems (which utilise the payment systems) should similarly not be subject to NPC's oversight. In this regard,

S/N	Respondent	Responses from Respondent
		only operators of payment systems should be governed by NPC.
16	EZ-link Pte Ltd	Requested for all comments to be kept confidential
17	Fintech Alliance	**Question 36** • Fintech Alliance supports the establishment of a national payments council that can take the lead in driving payments efficiency, adoption and harmonisation in Singapore and agrees with the proposed mandate and objectives. **Question 37** • Fintech Alliance agrees that payment systems should be governed by the NPC. However, given the broad mandate and objectives of the NPC, the NPC should make sure that its focus is not just on the payment systems and their related activities but on the entire payments ecosystem as a whole. **Question 38** • If the mandate of the NPC is to foster innovation, competition and collaboration in the payments industry, its scope cannot and should not be focussed solely on Activity 6. **Question 40** • Fintech Alliance suggests that enforcement responsibilities and supervision of payment service providers should NOT be part of NPC's activities. Such responsibilities should remain with the MAS. There will always be inherent conflicts in allowing a profitmaking body that is responsible for industry development and policy/rules making to also have supervisory and enforcement powers at the same time. Case in point the SGX and the constant criticisms on its dual role as operator and regulator.

S/N	Respondent	Responses from Respondent
		Question 42 • Fintech Alliance strongly feels that the membership of NPC should not be limited to the stated categories (a) to (e) in paragraph 3.6. Fintech companies engaged in the payments industry (that are not financial institutions or related to financial institutions), in particular, should expressly be listed as being able to participate as a member of the NPC, regardless of whether they directly utilise the clearing and payment systems governed by NPC. Reason being that the NPC's objectives, as stated in the consultation paper, extend beyond just engaging in matters relating to Activity 6 and include taking the lead in driving innovation, competition and collaboration in the payments industry. **Question 43** • Fintech Alliance supports the intention. Nonfinancial institutions are as important to the payments ecosystem as the financial institutions. If the mandate of the NPC is to foster collaboration, it is important that the membership structure of the NPC be inclusive and not limited only to financial institutions. Membership fees should also be tiered and made affordable to nonfinancial institutions. **Question 45** • We agree with the proposed categories from which the NPC Board would be selected. The composition of the board should not only be equal in terms of representation on the supply side and demand side but should also comprise representatives from most, if not all the categories, and with service providers that are involved in different activities within the payments ecosystem. Also, it would be important to ensure that the NPC Board does not allow for any overall bias towards representation from Government agencies.

S/N	Respondent	Responses from Respondent
18	Lufthansa AirPLus Servicekarten GmbH	**Question 41** • It is proposed that the governance role of by NPC will be limited to designated payments systems. There will be systems that operate in the Singapore market that will not be designated. It will not be appropriate for the NPC to be the single point of contact for the operation of these schemes, however, for 'consumer' complaints about the conduct of scheme participants and in relation to schemes that are not designated, this may not be appropriate. **Question 42** • AirPlus considers that the proposed company membership structure is appropriate. In particular, it welcomes broad stakeholder representation on the NPC board. **Question 45** • AirPlus considers that the proposed composition of the NPC board is broadly appropriate. For a 'representative body', having an independent chair, rather than an MAS representative appointed as chair, may be a more appropriate governance model. Further, a casting vote being held by the MAS may also be an inappropriate way of resolving a 'stalemate' **Question 46** • Subject to the above answer, AirPlus broadly supports the proposed level of representation on the NPC board. Membership should not be limited to 'local' representatives, thus allowing for the board to benefit from the experience of international supply and demand side members

S/N	Respondent	Responses from Respondent
		Question 48 • See answer to question 45.
19	M1 Ltd	No comments registered for the Payments Council
20	Mastercard Asia/Pacific	Requested for all comments to be kept confidential
21	MoneyGram International	Requested for all comments to be kept confidential
22	Network for Electronic Transfers (S) Pte Ltd	(Requested for all comments to be kept confidential, except for Question 1. Comments on the Payments Council within have been extracted below.) A National Payments Council that brings together a variety of voices in the payment sector is a positive idea. NETS wants to make sure that the mandate of the NPC does not duplicate existing powers currently sitting with MAS. Additionally it should not assume responsibilities that are currently being performed by commercial entities. There is no pressing need for the NPC to provide operational oversight for activities already well serviced by NETS such as customer support. From a commercial perspective NETS is concerned that the NPC, in its current suggested configuration, will create a situation that makes it difficult for NETS to control its revenue generation. NETS has worked to ensure a balance between commercial viability and continual improvement to its products and services. Legislated direction from NPC in this area could create challenging situations for NETS as we try to maximize investments in future growth and innovation.
23	OKLink Technology Company Ltd	No comments registered for the Payments Council
24	PayPal Pte Ltd (3PL)	Requested for all comments to be kept confidential
25	Rajah & Tann Singapore LLP	No comments registered for the Payments Council

S/N	Respondent	Responses from Respondent
26	Red Dot Payment Pte Ltd	Requested for all comments to be kept confidential
27	RHTLaw Taylor Wessing LLP	**Question 36** • We are in favour of having in place a NPC to oversee the efficiency and stability of the payments ecosystem in Singapore. It envisages as an organisation that sets the strategy for payments system in Singapore and ensure that it meet the needs of payment service providers, users and the wider economy. This would help Singapore align itself with international best practices, such as those seen in Australia and United Kingdom, where payment councils have taken on the role of driving payments efficiency, adoption and harmonization. • We respectfully suggest that the NPC share similar objectives to those outlined by the UK's Payments Council3, namely to develop a strategic vision for payments, to ensure that payments systems are open, accountable and transparent, and to ensure the operational efficiency and integrity of payment services. **Question 37** • We agree that NPC serves as another layer by MAS that would govern and monitor the proposed payment systems. It would be placed as a key representative body that would be able to bridge the gap between the regulator and the market players. We are of the opinion that the interests of the payments industry players would be protected and NPC would be able to offer relevant expertise. It is envisaged that the NPC would bring the industry players to jointly review the current state and future trends, set strategies to continually drive innovation to meet the ever changing demand and needs of consumers. • Nevertheless, we would request for further clarification as in general, the role of NPC is vague. It is unclear whether NPC should have more powers and how rigorous it would be playing its role as a quasi-regulator. We also respectfully suggest that

S/N	Respondent	Responses from Respondent
		the role should be transparent to members and the market participants. **Question 42** • We would request for clarification on the structure of membership and whether membership is mandatory. It is important to note that members and market participants should be allowed to focus on proprietary innovations using NPC as a platform in order to maximise its benefits. **Question 44** • We agree that NPC should be an industry-led body. With MAS' major role in the NPC, the structure of the NPC would be unprecedented. • We would like to highlight that the NPC must continuously strike a balance across a variety of characteristics to achieve optimal outcomes from user, systems and economic perspectives. In addition, the NPC should provide appropriate transparency to members regarding their procedures and policies in relation to payment systems. • We respectfully suggest that the role of similar councils or bodies of other countries such as Australia's Payments Council would be the best referral model for NPC. **Question 45** • We are of the view that such composition would reflect diverse and experienced members on the Board. Nevertheless, the governance structure would be of the main concern. While we agree that the proposed establishment aims to include solution providers' from the supply side, the NPC should also ensure that there is sufficient representation from the demand-side.

S/N	Respondent	Responses from Respondent
		Question 47 • We would seek further clarity to what extent the members are given prerogative to vote for the composition of the Board and the representation on the NPC in its entirety. **Question 50** • We respectfully submit that the ownership model of NPC should be publicly owned. The main area of concern is the potential for conflict of interests arising from competing priorities amongst NPC members. The NPC's members and its board should always be able to articulate governance practices and frameworks. **Question 53** • We encourage MAS to research and consider both the direct and indirect additional start-up and maintenance costs for SMEs that become subject to licensing and/or enhanced regulations and whether those increased costs are compatible with the overall Singaporean government's objective of productivity, competitiveness, consumer choice and business friendliness. **Question 54** • With the relevant and sound expertise of the NPC, we agree it should undertake a specialised enforcement role. It is envisaged that the NPC could facilitate payment service providers, financial institutions and consumers by providing them the information they need to make informed decisions in an increasingly complex market.
28	Ripple	**Question 51** • The Consultation Paper identifies a "lack of interoperability and limited formal participation" by stakeholders as challenges to governance, resulting in a fragmented payments landscape. The proposed

S/N	Respondent	Responses from Respondent
		National Payments Council would govern scheme rules, standards for access, and membership fees and pricing policies. Some of the payment systems that would be covered are privately owned, operated, and governed. • The PPF could trigger a large transfer of control from the diverse private sector entities to the NPC. This may be challenging for some private systems, particularly those that are cross-border in nature. The NPC's broad reach and control may hinder some schemes from either being based in or simply operating in Singapore. Given the growing importance of cross-border services, especially in financial centers like Singapore, MAS should consider how NPC's power may negatively impact the availability of services. • To minimize these negative impacts, MAS can ensure NPC's authorities balance private and public interests in some of the following ways: - Limit the covered payment systems to those that operate only in Singapore - Establish default rules that parties can freely contract around or out of - Establish minimum floors that allow parties to maintain some discretion - Limiting applicability to only widely-used payment systems (e.g., those that process some minimum dollar amount of transactions) to allow innovation and emerging payments technologies to freely develop. • Considering some of these measures can ensure the NPC can be effective in representing views and driving interoperability, without negatively impacting market offerings and Singapore's role as a financial capital.
29	Singapore Post Ltd	No comments registered for the Payments Council
30	SingCash Pte Ltd ; Telecom Equipment Pte Ltd; Singtel Mobile	**Question 36** • Singtel notes and welcomes the MAS intention to ensure the various stakeholders in the industry will be engaged in the new NPC.

S/N	Respondent	Responses from Respondent
	Singapore Pte Ltd (Singtel)	• Singtel cautions that the set-up of the NPC should not result in additional regulation that may burden the various players in the industry. Rather, the focus of an NPC should be to provide guidelines and facilitate engagement within the industry. **Question 37** • Singtel seeks clarification over the intention to regulate proposed payment systems. This far, the MAS has chosen not to regulate payment systems except payment systems designated under the PSOA on grounds that the latter have a wide spread impact (if and when there are issues or disruptions affecting these systems). Hence, it is not clear to us what is intended by having the NPC governing the payment systems that fall within the scope of Activity 6 including designated payment systems and other payment systems • The MAS itself has pointed out that payment systems could include intra bank systems but in addition to these, licensees could install their own systems to facilitate their own payments and settlements to partners where such systems are simply used by their own companies. If the MAS considers these as payment systems under Activity 6, these have largely been left Page 16 of 23 out of the ambit of the PSOA. There should be no reason to include these under the ambit of the PSOA. • Singtel notes however there are payment systems that are in turn used by licensees to facilitate payments and settlements with outside parties, e.g. banks and remittance houses or money changing houses may use these systems which may have headquartered overseas. Singtel seeks clarification as to whether the MAS for the NPC to also govern these and how it intends for the Singapore legislation to be extended to these parties. **Question 38** • Please see our response to Q37.

S/N	Respondent	Responses from Respondent
		Question 40 • We note that the activities involved would depend on the powers that the NPC would have, e.g. would they be set up pursuant to legislation and whether they have enforcement powers. • Notwithstanding this, some of the activities that the NPC can take up would include seeking and facilitating consultation, investigation of complaints and feedback, policy review and setting. **Question 41** • Please see response to Q41. We also ask that the NPC should be staffed with representatives and personnel from all sectors of the overall payment industry and with some working experience arising from their links to the industry. **Question 42** • We are agreeable as long as the proposed structure is well-balanced with representatives from different industries especially banks vs non-banks institutions. **Question 43** • As we had indicated in the responses above, the NPC should be staffed and led by representatives from all sectors within the payment industry, including credible non-financial companies as it is important for such parties to be able to raise their views. **Question 45** • Again, we have asked that the NPC be staffed with personnel from all sectors of the payment industry and members should include the remittance and payment service providers like the management of

S/N	Respondent	Responses from Respondent
		SingCash and TEPL, as well as representatives from payment processor companies e.g. WireCard or FirstData. **Question 47** • Representatives should be of good public standing with experience that will lend diversity to NPC. • A 2-year term rotation is reasonable.
31	StarHub Mobile Pte Ltd (StarHub)	**Question 36** • We agree with the NPC's proposed mandate of fostering innovation, competition and collaboration in the payments industry. We also support the fact that the NPC will be a forum under which various parties can identify and discuss pertinent issues facing the payments industry in Singapore. • However, it is important that the NPC should not have the separate right to impose and enforce additional regulatory obligations (on-top of what MAS already imposes). Otherwise, this could create potential confusion amongst the industry and stifle (rather than foster) innovation. • We are also concerned by the proposal that the NPC may manage and execute projects to improve the payments ecosystem. Given its advisory role, the NPC would not be in the best position to execute projects of national significance. **Question 37** • As highlighted above, we support having the NPC play the role as a forum to identify and discuss issues, and to foster competition and innovation in the payments industry. However, we do not believe that NPC should be allowed to have a governance-type role, and be allowed to impose additional requirements on the industry. • StarHub also proposes that SVF should be outside of the scope of payment systems that the NPC monitors.

S/N	Respondent	Responses from Respondent
		Question 38 • Please see our response to Question 37 above. We are concerned by the proposal that the NPC may enforce rules as well as execute projects. **Question 40** • We believe that the NPC could: (1) be a useful platform for industry discussions; (2) act in an advisory role to the MAS; and (3) develop and drive strategic objectives in the payments industry. However, we disagree with the suggestion that the NPC should have any regulatory or enforcement powers, or the ability to execute individual projects. **Question 41** • As the industry regulator, we believe that MAS would be in the better position to act as the point of contact for public feedback on payments services. **Question 42** • StarHub is agreeable to the proposed membership structure of the NPC. **Question 43** • We see merits in having non-financial institutions participate in discussions on this issue, to ensure that a wide variety of perspectives can feed into the NPC. **Question 50** • We would suggest that the NPC operate in a manner similar to other Government councils, such as the National Wage Council. As the NPC will not be generating revenue or owning assets, we strongly believe that the NPC should simply act as an

S/N	Respondent	Responses from Respondent
		advisory arm to MAS. As such the issue of its private vs. public ownership is effectively moot. **Question 51** • We would suggest a light-touch approach on this matter. Again, we propose that the NPC should not have any enforcement powers. Rather, the NPC should act as advisory arm to MAS, bring together the views of the wider payments industry. **Question 52** • We suggest that the NPC not be allowed to operate clearing and payment systems. This should be left to the free market and driven by competitive market forces. If the NPC was given quasi-commercial responsibilities for operating clearing and payment systems, this would lead to potential conflicts of interest between the NPC and its members, to the ultimate detriment of the NPC. **Question 53** • We do not believe that the NPC should be run as an organisation that depends on membership fees to be financially sustainable. This could drive-up membership fees, reducing the incentive for parties to participate in the NPC (which would have a lead-on effect of potentially reducing discussions at the NPC). In addition, if the NPC's role is focused on that of providing advice to MAS, its activities should not generate costs requiring the establishment of fees. **Question 54** • As highlighted above, the NPC should not be able to impose and enforce regulations. Such matters should remain the purview of MAS.
32	The Hongkong and Shanghai Banking Corporation	Requested for all comments to be kept confidential

S/N	Respondent	Responses from Respondent
	Limited, Singapore Branch ("HSBC Singapore Branch"); HSBC Bank (Singapore) Limited ("HSBC Singapore"); and HSBC Insurance (Singapore) Pte Limited	
33	TransferWise	**Question 37** • International card schemes ought to be considered as competing alternatives to payment systems such as FAST, and therefore it is appropriate to bring international card schemes within scope. **Question 39** • It is appropriate for MEPS to be included alongside other payment systems in a common governance framework. **Question 44** • As well as a veto, MAS should have the ability to require the implementation of certain initiatives as overseen by the NPC, if these are deemed to be in the public interest and subject to usual requirements of consultation. **Question 46** • To ensure NPC does not become 'captured' by incumbent views, and to help it achieve its aims of encouraging innovation, a genuinely diverse set of views must be represented. It should be recognised that smaller firms will have fewer resources than banks to be represented at the NPC, and the ratio in the membership should take this into account.

S/N	Respondent	Responses from Respondent
		Question 47 • Given resource constraints of start-ups and smaller firms, there should be an option for rotation / substitution between representatives of the challengers and innovators. Selection should be based on merit and ability to contribute to achieving NPC's objectives.
34	UnionPay International (UPI)	Requested for all comments to be kept confidential
35	United Overseas Bank Ltd	**Question 36** • The mandate focuses on innovation, competition and collaboration. Greater clarity needed on its role and end objectives as some inadvertently opposing goals. Also, what about risk management considering the emergence of many alternate payment instruments? **Question 37** • To be consistent, all payment systems under the scope of Activity 6 should be governed by NPC, including offline SVFs. **Question 38** • Agree. Public transport card scheme refers to offline SVFs. Hence, these should be in scope for Activity 7. **Question 39** • MEPS+ is a key the payment system in Singapore. To take Singapore payment landscape to the next level, MAS should take the lead and include MEPS+ as one of the payment systems governed by NPC, to ensure competition and collaboration in the payment industry.

S/N	Respondent	Responses from Respondent
		Question 40 • The suggested activities are fairly comprehensive. **Question 41** • There are all kinds of feedbacks & complaints and may not be categorically a result of payments. Consumers can continue to reach out to the most convenient parties such as the banks, MAS or association such as ABS to provide their feedback. Whilst NPC can keep track of general trends etc. • MAS could also consider for NPC to function as a neutral party for dispute resolution for non-banks that provide payment solutions. **Question 42** • The proposed structure should take into consideration the proportion of supply (providers) vs demand (users, associations, business etc.) to the extent that it is effective in achieving the end outcome. Hence, the role and objectives of NPC has to be clarified. • The major supply players should be part of NPC. **Question 43** • We are supportive of the inclusion of non-FIs. In the landscape today, payment services are no longer provided by FIs only. **Question 44** • Agree with the proposed role; and Chairman for NPC be a representative from MAS. However, we need more clarification with regards to the responsibility of MAS in NPC as the chairman vs CEO of NPC.

S/N	Respondent	Responses from Respondent
		Question 45 • The supply side, there should be a fair representation of the relevant players in the industry that reflects their significance in contribution and value terms to the system. This will ensure meaningful participation and consistency to move the payment landscape in Spore as well as for connectivity globally. • On the demand side, care has to be taken to ensure representation by "problem categories" that will bring forward constructive solutions by the supply side for the better good of the country. For e.g. Solving cash i.e. becoming cashless in our schools, hawkers etc. – may be one group; retailers another, large corporates, national corporates, multi-national corporates, e-gov, etc. • Respectfully suggesting that the demand side may be by invitation such that as issues evolves, that NPC does not become a "complaints" ground to the detriment of the supply side. • On both, it has to be defined otherwise it will be too large a group to meaningfully operate. **Question 46** • See Q45 **Question 47** • Agree with the proposed; though there should be some that are permanent members due to size, dominance from the supply side. • The rest should be on a term basis. 2 to 3 years term is a reasonable duration for participants to drive strategic objectives and initiatives; and for new members to be appointed on rotation basis - this will help focus solving demand issues.

S/N	Respondent	Responses from Respondent
		Question 48 • We are supportive of the proposed process. In case where consensus cannot be reached, the board members should be given an opportunity to revote. Suggest NPC set a threshold on the number of times where consensus is not reached before getting MAS to cast a vote. **Question 49** • Publicly owned model **Question 50** • While we support ownership of NPC to be under MAS, we would request for MAS to remain relevant and effective in the face of fast emerging digital technology. **Question 51** • NPC should have the power to oversee the following: o operational standards of the payment systems – schemes and participants o fairness and transparency of its fares and charges (but not on pricing) o efficiency of the payments landscape in general **Question 52** • It is not necessary for NPC to operate the clearing and payment systems itself. Appointing the service providers to operate the clearing and payment system will provide the balance between efficiency and getting the right expertise to manage the systems.

S/N	Respondent	Responses from Respondent
		Question 53 • If the participants are from the same industry i.e. banking e.g. SCHA etc. may be viable. However, the model for innovation may need further review for such financials to be considered. • With demand, not from the traditional banking industry players, the question would be to what value would such memberships fees benefit them, and detracts from NPC its real objectives? • Besides memberships, should MAS consider a regular contribution to NPC for its development? **Question 54** • MAS currently already conducts audit/enforcement on banks. MAS should consider for NPC to extend such enforcement to the non-banks. However, we seek clarification on how enforcement is carried out by NPC on all participants. **Any other comments:** • We should tackle the big areas that still use a lot of cash and cheques rather than setup another council to tackle it as it will be too high level. • Per the KPMG study, perhaps the NPC first task is to focus on cash and cheques to improve general productivity; as the other businesses areas are generally well served today • If we want to promote cashless use, perhaps making ATMs work more efficiently is not in line with this.
36	Visa Worldwide Pte Ltd	Requested for all comments to be kept confidential
37	Western Union	**Question 38** • In our response to Q 26 we have indicated that we do not believe that money transmission services do not fall within Activity 6. In consequence, we do not

S/N	Respondent	Responses from Respondent
		believe that Activity 3 should fall within the scope of the NPC.
38	Wex Asia Pte Ltd	Requested for all comments to be kept confidential
39	Wirecard Singapore Pte Ltd	No comments registered for the Payments Council
40	WongPartnership LLP	No comments registered for the Payments Council
41	Respondent A who requested for confidentiality of identity	**Question 44** • Provide guideline on the SG scene and regulatory experiences. **Question 53** • Should be funded by MAS
42	Respondent B who requested for confidentiality of identity	**Question 36** • The NPC will only be effective and useful if it representative of both the old and the new services and technologies, and combines with it a fully active participation from the board and representatives of the operators and providers. **Question 37** • If the NPC is going to govern any payment systems, then it should govern all payment systems. See Response 39 below. **Question 38** • The operation of stored value for a specific purpose, such as public transport, should be included in the scope. If stored value functionality relies on international card systems, then the underlying provider should be included. See Response 4 earlier.

S/N	Respondent	Responses from Respondent
		Question 39 • Forming a council that is going to be effective must include every payment system. Once one is excluded, then it would not be possible to develop and incentivise longer term migration from one particular platform to another. MEPS+ should therefore be included. **Question 40** • There needs to be a mechanism to include NETS within the NPC infrastructure. The NRA recommendation to reduce reliance on cash in Singapore needs to be viewed as a strategic national objective. This objective runs against the current structure and governance of the NETS system. There need to be clear consumer incentives to encourage electronic rather than cash payments and the costs charged by NETS preclude this happening. Any payments activity which could possibly present a systemic risk to the country needs to be included. **Question 41** • Whilst helpful to the public, this should not be a core part of the function of the NPC. There are existing channels for consumer complaints, e.g. CASE, and NPC should receive, collated and summarised from these channels, rather than directly from the public. **Question 42** • The proposed structure does not elude to the number of participants at each level. A larger council does not necessarily mean a more effective one. The most important point is that the council should have ultimate influence in the creation and adoption of MAS policies, not merely exist to ratify the MAS.

S/N	Respondent	Responses from Respondent
		Question 43 • Generally, they should not be included, only on a case by case basis, if required by particular projects that the NPC may manage. **Question 44** • Providing that the chair to the NPC would be able to exert sufficient independent due control and direction, then MAS chairing the NPC is appropriate. The NPC should not just pay lip service to the MAS. Interaction between the NPC staff and the relevant MAS decision makers will be key in managing a good working relationship. **Question 45** • Whilst input from the demand side is essential, it cannot have greater representation than the supply side. The supply to demand representation ratio should be 4 to 1. **Question 46** • The composition and effectiveness depends entirely on those making up the board. A relatively light structure with direct contribution from all involved would be ideal. • Working committees who report to the board could then involve additional representatives from the industry. SBF operates its consultative and contribution process with Singapore businesses in a model that is effective, and could be emulated. **Question 47** • Certainly a fixed term appointment of two years is better than one. However, most initiatives and projects that the NPC will undertake may well have lifecycles in excess of two years.

S/N	Respondent	Responses from Respondent
		• Some board members should therefore have a mechanism for extension, if they provide a continuing and unique contribution or perspective to the payments industry. **Question 48** • Yes, this is reasonable. **Question 49** • Whether private or public, the issue is whether the NPC will have sufficient influence with the MAS in order to affect policy changes and regulate the payment mechanisms. **Question 50** • A public private partnership may work best. There is a danger of creating another layer of bureaucracy in a system where the overall cost of compliance is inevitably passed on to the end consumer in some shape or form. **Question 51** • For the NPC to be effective, it has to be granted sufficient power to influence and provide input to all aspects of the regulation of payment systems, including pricing, service quality level, response, research and development and strategic migration from one platform to another. See Responses 44 & 49. **Question 52** • The NPC should not operate any of the systems itself, but regulate the service providers who do so. Otherwise there could be a conflict of interest between NPC operated systems and potential alternatives or replacements.

S/N	Respondent	Responses from Respondent
		Question 53 • The cost of creating and managing the NPC should initially be borne by the government. Once proven operational and effective, then after a period of three to five years, a transition to independent fiscal management should be considered. **Question 54** • In this respect, the NPC becomes simply and extension of the MAS, and enforcement would remain with the MAS. • As has been raised on many occasions, sufficient resources need to be allocated for enforcement, otherwise the compliant participants will be unnecessarily penalised by the commercial competition of non-compliant participants. **Any other comments:** • As with previous changes and updates to the regulatory environment in Singapore, there is a learning curve for all involved, and a transition phase as the new rules need to be understood and operational processes changed accordingly to comply. • An incremental approach to regulation can only go so far, and this is a relatively short time after the 3001 updates. Thus the implementation of the control and governance of the operators by the NPC and the licensing by the MAS should be implemented 2018 at the earliest so as not to cause more disruption to the various financial institutions involved. • Individual responses to consultation processes are only the start of the process. A detailed and comprehensive dialogue is required with representatives of all parties, to agree a common ground with respect to the scope, objectives and structure of the PPS & NPC.

S/N	Respondent	Responses from Respondent
		• Lastly, the formation of the PPS and NPC should not create an excuse for any delay in progressing the existing legislation and regulatory environment. Continued development of the existing infrastructure needs to dovetail with a planned handover to the NPC at the end of the inception period. A migration timetable for taking over the responsibilities of each activity is required, and not everything need be assimilated in one step.
43	Respondent C who requested for confidentiality of identity	**Question 36** • Respondent C is supportive of the proposed NPC and its proposed mandate. • We also support generally the proposed objectives of the NPC but seek clarification on whether there are overlaps with MAS where it comes to oversight, research, surveillance, policy and enforcement. • Research and surveillance can become a costly and challenging endeavour. While the NPC can drive certain industry research (e.g. stakeholder interviews, customer insights, in domestic context), there may be other areas which are better driven by MAS (e.g. data-driven research, country case studies, emerging payment trends) • Advisory, policy, enforcement objectives may overlap with MAS's oversight objectives and enforcement powers. We submit that it may run counter to the NPC's goals to drive efficiency, innovation, and collaboration when the approach rests largely on regulatory powers and enforcement of compliance. We suggest that the APCA model rather than the UK Payments Council model be adopted instead – by encouraging collective action, coordination and harmonisation, the industry may be able to move faster, agree on common ground, while working hand in hand with MAS as the overall Payments Regulator – who will ultimately have regulatory powers over all issues including payment system efficiency, promotion, and interoperability. The NPC could recommend to the MAS areas which require enforcement rather than be responsible for enforcing of the compliance. This may also have the

S/N	Respondent	Responses from Respondent
		benefit of better allocation of resources between the MAS and the NPC. **Question 37** • We agree with the proposed approach but seek clarity on whether there is a "significance" test before the NPC governs emerging payment systems that may be too small or emerging. **Question 38** • We agree to MAS' proposal. **Question 39** • MAS may wish to reconsider as this may not be necessary. **Question 40** • Propose to clarify 3.5(b) – what are central payment systems? • Role of SCHA – agree with the scope but propose that for all payment systems, enforcement of by-laws, scheme rules, membership fees, pricing, and access be subject to relevant benchmarking studies, commercial, legislative, or otherwise in nature. Specifically, with respect to payment systems that today are not widely subscribed to, there may be issues that should be considered such as prior membership fees levied, participation at shareholder vs. participant level, direct vs. indirect membership, as well as security and standards. For the international card schemes and domestic card schemes, there are also competitive aspects to issues around interchange, pricing, and scheme rules. Many of the recommendations may also take time to implement. The NPC should balance its goals of driving efficiency, competition, innovation and collaboration by setting out a long term roadmap and vision so as to encourage collective action and

S/N	Respondent	Responses from Respondent
		collaboration while fostering competition among providers, without disrupting service level, operational efficiency, and security in the meantime. **Question 41** • We agree that NPC should function as a single point of contact for the public. **Question 42** • We agree with the membership structure. There may also be scope to include non-voting members or expert advisors from the FinTech community, VCs investor, or non-Singapore entities looking to enter into Singapore to create more robust discussions and diversity. **Question 43** • We submit that this is a larger question that NPC may take up as one of the items to explore. The NPC is not tied in its mandate to financial institutions, so it can decide either way. However, this requires thoughtful consideration on whether there are benefits to innovation vs. costs to efficiency, safety and security. **Question 44** • We agree that the chairman for the NPC should be from MAS. **Question 45** • Agree. The challenge will be to ensure broad representation while keeping the board to a manageable size.

S/N	Respondent	Responses from Respondent
		Question 46 • Please refer to our response to question 42. **Question 47** • We agree with the proposal; but suggest to establish a system of appointments such that certain "permanent council members" that constitute a disproportionate share of payments in Singapore (e.g. 3 local banks, top 2 telcos, key government agencies and billing providers), while rotating other members to provide representation (e.g. rotation among QFBs, innovation agencies, etc.). **Question 48** • We agree with the proposed voting process. **Question 49** • Suggest the NPC be set up as an association that runs on membership fees with financial support from the MAS, based on the responsibilities that NPC will take on. **Question 50** • Ownership by initial membership **Question 51** • Please refer to our response to question 36. **Question 52** • We propose that NPC should not take over the operators' roles in payment systems (e.g. BCS or NETS). We suggest this should be under emergency powers under the PS(O)A for important designated systems, but NPC should not need to have direct

S/N	Respondent	Responses from Respondent
		operating control over payment systems. The NPC is not set up to be an operator, and may create more risks than benefits to the system. **Question 53** • We suggest MAS provide funding in lieu of the fact that the NPC may take on operational functions that support MAS's objectives for the payment system (i.e. central POC, driving innovation, recommending enforcement situations, some research, etc.) **Question 54** • Please also refer to our response to question 36. We agree broadly with the suggested powers. We further suggest the NPC have powers to issue self-regulating notices and guidelines, standards (technical or functional), and may make decisions supported by collective action. In cases where there is non-compliance or non-adherence, the NPC could use the above tools and may ultimately recommend to the MAS for enforcement if needed, on the basis of driving safety and efficiency objectives.

Monetary Authority of Singapore

POLICY HIGHLIGHTS SHEET

User protection measures in electronic payments

PREFACE
This is a policy highlights sheet to seek **consumer views** on MAS proposals for **user protection measures in electronic payments**.[1] The paper will cover the following areas: (a) What measures MAS is proposing; (b) Why MAS is proposing the measures; (c) What the measures mean for consumers and merchants; (d) The expected timeline for the implementation of the measures; and (e) The areas for which MAS is seeking public feedback on.

PART 1: WHAT MEASURES MAS IS PROPOSING
With technology advances and the increasing complexity of today's payments ecosystem, MAS is reviewing the current retail payments framework to address emerging risks. The changes will take the form of a new payments legislation, the Payments Services Bill (the "Bill"). One of the key proposals in the Bill is the enhancement of consumer and merchant (collectively "users") protection in retail payments. For example, stored value facilities (SVFs) are increasingly being used by Singapore consumers for the prepayment of goods and services. In the Bill, MAS will regulate issuers of SVFs, as well as other types of retail payment services. We will require entities that carry out the following activities to be licensed: A. Providing account issuance services(including SVFs and other e-wallets) B. Providing domestic money transfer services C. Providing cross border money transfer services (both in-bound and out-bound) D. Providing merchant acquisition services E. Issuing e-money (similar to the value held in an SVF) F. Providing virtual currency intermediary services G. Providing money-changing services (exchange of physical currency notes)

[1] This note is intended to provide an overview, highlight key proposals and issues which MAS would like to seek feedback from the public on. Readers may wish to read this in conjunction with MAS' consultation paper on the proposed Payment Services Bill, accessible at http://www.mas.gov.sg/News-and-Publications/Consultation-Paper/2017/Consultation-Paper-on-Proposed-Payment-Services-Bill.aspx

MAS proposes to require large payment firms[2] that carry out Activities A to E[3] above to protect customer and merchant funds in the following ways.[4]

1. Safeguarding of e-money float *(for Activity E)*
2. Safeguarding of funds in transit (i.e. funds received from a payment user by the payment firm for the execution of a payment transaction) *(for Activities B, C and D)*
3. Protection of personal e-wallets *(for Activity A)*
4. Protection of access to funds *(for Activity A)*

We seek your views on the above user protection measures which are explained in Part 3 below.

PART 2: WHY IS MAS PROPOSING THE MEASURES

MAS is proposing these changes in order to enhance user protection and to encourage adoption of electronic payments. We have expanded the scope of regulated activities under the Bill beyond SVF, remittance and money-changing services to include payment account issuance, domestic money transfer services, and merchant acquisition services.[5] By expanding the payment services regulatory scope, MAS will be able to impose user protection measures across a wider range of payment activities. With these added measures, we aim to give users assurance and greater confidence that the payment accounts and instruments they use are safe.

PART 3: WHAT DOES THIS MEAN FOR ME?

We set out below the proposed user protection measures and what they mean for you as a payment service user, whether you are a consumer or a merchant.

Please note that only large payment firms need to comply with the user protection measures below.

- Small payment firms have fewer resources to implement such measures. To balance the interests of these small firms with yours, we will not require them to implement the user protection measures.

[2] Large payment firms are those that hold an average daily e-money float of above $5 million over a calendar year or accept, process or execute an average monthly payment transaction volume of above $3 million over a calendar year.

[3] Activities F and G will be regulated primarily for money-laundering and terrorism financing risks.

[4] MAS will be publishing a separate consultation paper on another user protection measure, on the protection of access to funds, soon.

[5] Merchant acquisition services are those provided by payment firms that serve merchants by contracting to accept and process their payment transactions.

- However, we will require them to clearly disclose to you that they are a small payment firm. Please review the terms and conditions of payment solutions issued by payment firms to see if they suit your risk profile.

User Protection Measure 1: Safeguarding of e-money float

These are the key changes to the safeguarding of e-money float that will be effected in the Bill.

(a) The Bill will regulate the issuance of e-money. E-money is broader than stored value in an SVF. Stored value in the SVF is limited to prepayment for goods and services. E-money does not have this restriction. E-money is value that is stored in your wallet that can be used to purchase goods or services, or to transfer funds to another individual (i.e. peer to peer transfers).

- **This means that in future, the funds you have in an e-wallet that are for peer to peer transfers will also be protected by statute.**

(b) Currently for SVFs, only stored value that is held in a widely accepted stored value facility (WA SVF) is statutorily protected. The float of a WA SVF is above S$30 million. The issuer of such float is currently required to safeguard the float with a bank approved by MAS which is liable for the whole float. The existing WA SVF are NETS Cashcard, NETS Flashpay, EZ Link, and CapitaLand Mall vouchers.

In the Bill, an e-money issuer with a float above S$5 million will need to safeguard the float with a full bank, or other means approved by MAS.[6] If the payment firm is insolvent, the customers of that firm can claim their outstanding e-money from the safeguarded assets. To be clear, this is not the same as deposit insurance where the Singapore Deposit Insurance Corporation will pay out the compensation to depositors in the event a bank becomes insolvent.

- **This means that in future, as long as e-money is issued by a large payment firm, your funds in that e-wallet are protected by statute.**

[6] The proposed approved means are as follows.

(a) The float is protected by any full bank which is fully liable for the whole float;
(b) The float is guaranteed by any full bank;
(c) The float is escrowed by T+1 in any full bank;
(d) The float is held by T+1, in cash or secure low risk assets placed with a custodian approved by MAS, with the type of assets and custodian as prescribed in regulations.

T+1 means the the next business day after the payment firm receives the money from its customers.

Please note that float protection measures apply to e-money issued to Singapore residents only. Singapore residency status is as agreed between the e-money issuer and the user, and not based on other factors such as citizenship or Permanent Resident status.

User Protection Measure 2: Safeguarding of funds in transit

We propose to require that large payment firms carrying out these activities also safeguard the funds (on a next day basis) that belong to consumers or merchants.[7]

1. Providing domestic funds transfer services
2. Providing cross border funds transfer services (both in-bound and out-bound)
3. Providing merchant acquisition services

- **This means that all your funds processed by a large payment firm will be protected by statute until that firm has completed its payment service.**

User Protection Measure 3: Protection of personal e-wallets

We propose to impose additional measures to protect funds held in e-wallets (i.e. any account or instrument that stores e-money) that are owned by individuals for personal use ("personal e-wallet"). Unlike bank deposits, the funds in e-wallets are not protected by deposit insurance. Although we are proposing safeguards for e-money issued by a large payment firm, the safeguards do not accord the same level of protection as deposit insurance.

To protect your funds in any personal e-wallet use, we propose to set the following restrictions:

(a) The maximum personal e-wallet load capacity will be set at S$5,000.
(b) The maximum amount you can transfer out of your personal e-wallet is S$30,000 on a 12-month consecutive basis.[8] Transfers to personal bank accounts (either yours or as designated by you) held in Singapore do not count towards this S$30,000 restriction.

- **This means that personal e-wallets will receive additional protection in the form of wallet limits and transfer limits.** This will benefit more vulnerable users such as the elderly and the young.

[7] The proposed safeguarding means for funds in transit are the same as that for e-money float.
[8] This is computed as the one year period up to and including the day of the proposed transfer.

PART 4: EXPECTED TIMELINE
MAS plans to develop and draft the Bill in 2018.
We would like to hear from you!
MAS welcomes your feedback, which should be sent by **8 January 2018** to psb_userconsult@mas.gov.sg. In particular, we would like to know: • Your thoughts on whether the user protection measures proposed for large payment firms are adequate. To summarise, the user protection measures are: (a) Safeguarding of e-money float; (b) Safeguarding of funds-in-transit; and (c) Protection of personal e-wallets. • Your views on whether the personal e-wallet protection measures are suitable, including how you as a consumer will be impacted by these measures, and whether your business if you are a merchant will be impacted by the restrictions on your customer's personal e-wallets. • Your suggestions on what small payment firms can do to protect your funds.

Annex A

LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED ACTIVITY-BASED PAYMENTS FRAMEWORK

1. Alipay Singapore E-commerce Pte Ltd, who requested for their comments to be kept confidential.
2. Allen & Gledhill LLP, representing Barclays Bank, Credit Suisse, J.P Morgan Chase Bank (Singapore Branch), OCBC, Standard Chartered Bank, and UBS, who requested for their comments to be kept confidential.
3. American Express International Inc., Singapore Branch, who requested for their comments to be kept confidential.
4. Australia and New Zealand Banking Group Ltd, Singapore Branch, who requested for their comments to be kept confidential.
5. Association of Cryptocurrency Enterprises and Startups Singapore (ACCESS)
6. AXS Pte Ltd, who requested for their comments to be kept confidential.
7. Banking Computer Services Pte Ltd, who requested for their comments to be kept confidential.
8. Bullionstar Pte Ltd
9. Consumers Association of Singapore (CASE)
10. Competition Commission of Singapore (CCS), who requested for their comments to be kept confidential.
11. Deutsche Bank
12. Diners Club (Singapore) Pte Ltd, who requested for some comments to be kept confidential.
13. Docomo Digital (NTT Docomo Group), who requested for their comments to be kept confidential.
14. Dr Sandra Booysen
15. East Springs Investments (Singapore) Ltd

16. EZ-link Pte Ltd, who requested for their comments to be kept confidential.
17. Fintech Alliance, an associate of the Singapore Infocomm Technology Federation
18. Lufthansa AirPLus Servicekarten GmbH
19. M1 Ltd
20. Mastercard Asia/Pacific, who requested for their comments to be kept confidential.
21. MoneyGram International, who requested for their comments to be kept confidential.
22. Network for Electronic Transfers (S) Pte Ltd, who requested for some comments to be kept confidential.
23. OKLink Technology Company Ltd
24. PayPal Pte Ltd (3PL), who requested for their comments to be kept confidential.
25. Rajah & Tann Singapore LLP
26. Red Dot Payment Pte Ltd, who requested for their comments to be kept confidential.
27. RHTLaw Taylor Wessing LLP
28. Ripple
29. Singapore Post Ltd
30. SingCash Pte Ltd ; Telecom Equipment Pte Ltd; Singtel Mobile Singapore Pte Ltd (Singtel)
31. StarHub Mobile Pte Ltd (StarHub)
32. The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch ("HSBC Singapore Branch"); HSBC Bank (Singapore) Limited ("HSBC Singapore"); and HSBC Insurance (Singapore) Pte Limited, who requested for all comments to be kept confidential
33. TransferWise
34. UnionPay International (UPI), who requested for their comments to be kept confidential.
35. United Overseas Bank Ltd

36. Visa Worldwide Pte Ltd, who requested for their comments to be kept confidential.

37. Western Union

38. Wex Asia Pte Ltd, who requested for their comments to be kept confidential.

39. Wirecard Singapore Pte Ltd

40. WongPartnership LLP

41. Respondent A who requested for confidentiality of identity

42. Respondent B who requested for confidentiality of identity

43. Respondent C who requested for confidentiality of identity

44. 7 respondents requested for full confidentiality of their identity and submission.

Please refer to **Annex B** for the submissions.

Annex B

FULL SUBMISSIONS FROM RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED ACTIVITY-BASED PAYMENTS FRAMEWORK

S/N	Respondent	Responses from Respondent
1	Alipay Singapore E-commerce Private Limited	Requested for all comments to be kept confidential
2	Allen & Gledhill LLP	Requested for all comments to be kept confidential
3	American Express International Inc., Singapore Branch	Requested for all comments to be kept confidential
4	Australia and New Zealand Banking Group Limited, Singapore Branch	Requested for all comments to be kept confidential
5	Association of Cryptocurrency Enterprises and Startups Singapore (ACCESS)	**Question 1** • Our members had a varied opinion about the approach. Some of them believe that the regulation net is cast too wide where the activities that were not initially regulated are now regulated. Some of them believe that regulation is great via an activity approach but were concerned that because there is immense innovation in this space, activities-based regulation will always lag behind the innovation that's actually happening. Consequently, they are concerned that more and more activities will be added, which may lead to over-regulation. • Overall our members would like to know the intent of each activity that is written in this consultation paper. For example, if the primary intent for regulating foreign companies is to prevent companies from using Singapore as a shell company, then the comments will differ compared to if it was used for consumer protection. • Unlike banks, a lot of Fintech companies are experimenting with products to see if there is traction with various product segments. The members therefore are concerned if the Fintech start-ups are too focused on getting a license, it will hinder their productivity time. They have seen many cases where start-ups that focus purely on getting licenses first, end up shutting down because the company has no traction, and the licenses take too long to apply and obtain. There must be a balance. Some members suggested maybe having some sort of multi-tiered system before the Fintech start-ups are required to apply for the licenses.

		• The members would also like to know what sort of requirements are needed for each of the licenses. Most are concerned that the requirements for licenses may be too challenging and time consuming to obtain. The hope is that the requirements are inclusive of new entrants and innovators and not exclusive. • Overall, the main concern of the members as well is whether the proposed regulations aren't too broad. I.e. in instances where activities weren't regulated, it is proposed to be regulated, however, at the same time, without the regulation, it was working productively and efficiently for Singapore. Hence the members would like to know the reason for regulating the already-efficient activities. For example, within the MCBRA, inbound and domestic payment transfers are not considered remittance. But in the current consultation paper these are proposed to be regulated. **Question 2** • Some of the members are concerned that, even when getting the licenses, payment and blockchain related companies still won't get a sustainable bank account. Would there be any way the MAS can help to ensure this? • Some of the members were stating it would be good for Singapore if non-banks i.e. pure online banks would be able to get the same banking licenses, as the ones that have obtained banking licenses in UK and Germany, such as Fidor Bank. • Furthermore the members believe that the definition of "leveling the playing field" should include a regulated Fintech ecosystem where banks and non-banks can compete and where the regulations will be compatible between them. Having a separate one might cause regulatory arbitrages. However this does not mean putting non-banks (including start-ups) under the same regulatory environment as the banks. **Question 3** • The members believe that they should be extended because if they are not there might be regulatory arbitrage. • However, as mentioned in our response to Q1, some sort of multi-tiered system should be put in place so that smaller players and start-ups would have exemptions because they have lower impact on the financial ecosystem. For example, single purpose SVFs do not require licences and SVFs with less than S$30m in customer monies are exempted from licensing. This

		way, we can ensure that innovation continues to happen at the smaller scale, while allowing them to grow upwards with a clear licensing route. **Question 4** • The members believe it's important to know the intent of this question. In other words what is the rationale of this question (what is the reason behind). Is it to prevent Singapore from being a shell company location? Or is it primarily for consumer protection. Regardless, the views are wide ranging. • Some believe that regulation of foreign companies could reduce customer's choices, while others believe that foreign companies should be regulated so that it will be less likely that they would be able to establish shell companies in Singapore. • Either way, most members agree that there should be a multi-tiered based system. If foreign company activities do not cause any systemic financial risk, they should still be allowed to operate. **Question 5** • The members believe it's overly extensive. At this point in time there does not seem to be anything left out. But as Singapore matures to become the Fintech innovative capital of the world, there will be new activities that we will not know of. **Question 6** • Would a bitcoin or any virtual currency prepaid card issuer be considered under activity 1? **Question 7** • Payment instrument should not include apps, websites or portals created by an SVF issuer/ewallet /virtual card provider if it only allows the user to transfer money internally to another user of the SVF/ewallet/virtual card. • This is because technically it is just an internal book entry and not a "payment" to another channel. **Question 8** • Same as above in Q7, if an internet banking app only allows "viewing" or internal transfers within the same bank, it should be exempted from this. In practice, however, most internet banking apps/portals will allow

		transfers to other banks or to pay bills (e.g. tax bills, parking tickets, rent, etc.), and as such, would be considered a payment instrument. • Our members want to know what's the intent behind this question as MAS has made it clear that banks are exempted from this framework, yet this question is related to banking. **Question 9** • What are the properties of instruments such that they would be considered 'anonymous'? Is there scope for instruments to be considered 'pseudonymous'? **Question 10** • Again, a multi-tiered system is important. However, the purpose of regulating this specific activity should be examined and stated with clarity. • For example, it is unlikely that an objective of regulating merchant acquiring is for "consumer protection" because the "customers" of merchant acquirers are businesses that can make such decisions themselves. Creating regulations targeted to "retail customer" level of protection would only stifle merchant acquirers with unnecessary compliance costs. • As we can see, the purpose of regulating this specific activity might be very different from the "consumer protections" as compared to, for example, Activity 3 of retail money remittance service. **Question 11** • The members would like to understand the definition of "Direct Participants of payment systems". Does this mean that companies work directly with the banks to create a payment system? Or payment systems that banks issue themselves? **Question 13** • Virtual currency intermediaries - is this referring to virtual currency exchanges? What's the purpose for regulating this? Will it make a difference when the intent of the business differs? I.e. what happens if the business is using virtual currencies incidentally and its primary business is not the exchange of fiat currencies into and out of digital currencies? **Question 14**

		• The members believe it really depends on the intent of the regulation. **Question 15** • The members are wondering whether there is a need to regulate inbound and domestic money transmission activities when it was not regulated in existing legislation. What is the intent for regulating all three activities? ACCESS does not see the benefit for Singapore to regulate domestic and inbound transfers when these are already efficient. **Question 16** • The members believe that in terms of virtual currencies, there is a contradiction between MAS' definition of virtual currencies and IRAS'. Would it be possible to clarify this? **Question 17** • Again, what is the intent? And are there inefficiencies with the existing money-changing businesses, as far as regulation is concerned? **Question 18** • Please clarify the definition of virtual currencies. Some of our members are stating it should be use-case based and should not blanket all businesses that use virtual currencies as some need the use of virtual currencies but are not dealing with payments. **Question 19** • Non-Fintech use cases of virtual currency **Question 20** • The members believe that the scope may be a bit too wide and may push foreign players to leave the country. **Question 21** • The members believe that it depends on what the intent of regulating activity 4 is.

		Question 22 • The members believe it depends on what the intent of the regulation is. Some members think service and hardware providers, if not customer facing or have an intent to remit money, should not be regulated. **Question 23** • ACCESS has no strong opinion on whether inter-bank messaging should be regulated separately from the existing banking regulations that banks are already subject to. **Question 24** • ACCESS members are concerned that it may hinder innovation. If Singapore requires all start-ups to get a license before testing out experiments, that defeats the purpose of making Singapore a more efficient smart city. **Question 25** • Why is it specifically to mobile wallets? Does mobile wallet refer to native software on the device? **Question 26** • ACCESS members believes only if your business is consumer facing, then you should be regulated. So we do not believe Operating Payment Systems that facilitate on a B2B basis should be regulated. **Question 27** • As stated in our previous responses, the general idea is that only larger payment systems should be subject to regulations because of the systemic risk they pose to the financial industry. Also, licensees who are already subject to the PS(O)A should ideally not be subject to yet another round of payments-related regulations outside of the PS(O)A. **Question 28** • The members think it's not necessary because it is not consumer facing.

		Question 29 • The members believe that it would be important to know what the intent is to regulate this activity. And please define "Internal corporate payment systems". **Question 30** • ACCESS does not believe this should be regulated. But the question is the same, i.e. what is the intent to regulate this activity? **Question 31** • The current definition of "stored value" and "stored value facility" in the PS(O)A is generally wide enough to cover most forms of stored value. However, could MAS please clarify whether "stored value" under Activity 7 would also include general customer deposits for intended potential purchases of non-goods/non-services (e.g. purchase of securities under crowdsourcing platforms, or for pre-funding a remittance account for easier sending of money at a currency and destination to be determined later)? **Question 32** • As above, ACCESS re-iterates that smaller industry players should continue to be subject to significantly lesser regulations because they pose a lesser systemic risk. This allows greater innovation and diversity in the financial sector, which further reduces systemic risk in the entire industry because there will be substitutes to the incumbent monopolies. • Take for example the current S$30m system limit exemption for SVFs. In fact, the current S$30m system limit exemption should be increased to take into account the inflation for the past 10 years since the PS(O)A was enacted. **Question 33** • This is a positive development because it allows businesses and merchants the flexibility to offer other forms of promotions to consumers other than just discounts or buy-one-get-one-free kind of deals.

		Question 34 • ACCESS believes there should be a tiered system. And maybe the existing 30 mil SGD float should be increased. **Question 35** • Segregation of customers' funds is a basic protection feature that can easily be implemented. This reduces the risks for consumers that the SVF holder can misuse the funds, or to make risky investments using customers' funds. This also increases accountability of customers' funds. • The other forms of safeguards (e.g. insurances, etc) should not be mandatory for smaller players because it increases operational costs and reduces the agility of these innovators. • We should not differentiate whether the customer is Singaporean or not. As long as the funds are located in Singapore and being held by the SVF holder, all Users should be afforded the same protections.
6	AXS Pte Ltd	Requested for all comments to be kept confidential
7	Banking Computer Services Private Limited	Requested for all comments to be kept confidential
8	Bullionstar Pte Ltd	**Question 7** • MAS states in paragraph 2.11 of P009: "For the purposes of the PPF, MAS proposes to define a payment instrument as an instrument that provides a user access to regulated funding sources for the purpose of initiating payments. These funding sources include: o Deposit and checking accounts regulated under the Banking Act; o Credit facilities regulated under the Banking Act; and o Stored value facilities currently regulated under the PS(O)A, and subject to clarification as part of this review of the payments regulatory framework." • A company holding a Single Purpose SVF whose only payment function is to allow the customers of that company to pay for goods purchased from the company itself, is completely different to a bank deposit account or bank checking account or a bank credit facility. Including SVFs in the same definition alongside traditional bank accounts regulated by the Banking Act is like comparing apples to oranges. A single purpose SVF is completely different to a

		fractional reserve bank account, the latter of which allows its holder to transfer funds to other accounts, pay for general goods and services, receive deposit interest, and operate an overdraft facility. A single purpose SVF therefore should not be regulated in the same or similar way as multi-purpose banking products that are regulated by Singapore's Banking Act. **Question 32** • We believe that the list of potential licensees is too far-reaching, since according to MAS, it will "concurrently license and regulate the holding of all SVFs, which encompasses the holding of funds on behalf of users. These funds may be used as a funding source for payment instruments. Non-banks will be required to obtain a licence in order to carry out provision of SVFs" • A supplier of goods or services that operates an SVF for the single purpose of allowing customers to pre-pay for goods or services from only that supplier should not be regulated as long as customers cannot transfer funds from, or to, any third parties or from, and to, each other. A SVF offered for pre-paying for goods or services to be purchased by a customer from the supplier holding the SVF is merely a by-product that enhances a company's existing business. • Given the above, we believe that the planned exclusions must be clearly clarified to include Single Purpose SVFs. **Question 33** • If MAS were to license businesses encompassing the holding of funds on behalf of their customers, where customers have pre-paid for future purchases of goods or services, many Singaporean shop owners keeping a simple credit list would be subject to licensing. • For MAS to strike a relevant balance between consumer protection and consumer choice, and so as not to stifle SMEs, a tiered-approach must be adopted. It would be excessively onerous to subject SMEs running a single-purpose SVF, where there is no transaction or remittance element included, and where the customers' purchase of a SVF as a means of pre-paying for goods and services to be supplied by the SVF holder itself, to licensing.
9	Consumers Association of Singapore	**Question 10** • CASE supports the move to regulate the acquisition of payment transactions. ○ Hidden Charges

		▪ Between January 2014 and March 2016, CASE received at least 132 complaints from consumers on a group of e-commerce companies that imposed a “hidden” and a recurring membership charge tied to every transaction made through their websites. ▪ CASE advised the affected consumers to lodge a chargeback with their merchant banks and most of the consumers that had done so reported that they managed to successfully lodge a chargeback with their merchant bank. ▪ However, CASE notes the complexities associated with the operations of such chargeback schemes (issued by the various credit card companies) and often, there is little awareness amongst consumers on the existence and details on the matter (i.e. under what conditions can a consumer lodge a chargeback). ▪ In addition, merchant acquirers and gateway providers all have different terms and conditions governing the usage of their payments systems. For instance, not all payment system providers impose conditions on their merchants to use a secure environment and/or require their merchants to prominently display the total charges that consumers will eventually incur by entering into the transaction. o International Transaction Fee ▪ In addition, CASE has received complaints and understands from several newspaper articles that consumers who purchase products and services from merchants that process their card payments overseas may also be liable to pay additional charges (imposed by the credit card companies). Such charges usually range between 0.8 – 1 % of the total product or services price and are usually not readily apparent to the consumer at the point of checkout.

		▪ Hence, CASE is of the view that consumers should not be required to bear the cost of the international transaction fees given that the geographical location the processing payment provider would not be readily apparent to the consumer at the point of checkout. ▪ CASE understands that there are numerous parties involved in the global payments system and to therefore provide consumers in Singapore with additional protection, consumers who sign-up with a Singapore-based merchant bank should be provided the option of transacting only with merchants or payment acquirers that are subject to the PPF (or merchants and payment acquirers that undertake to comply with the PPF). ▪ CASE notes that such a recommendation would be in line with the industry measures to enhance cards' security whereby the magnetic stripe on credit, debit and ATM Cards can be disabled for overseas usage. **Question 11** • Unless indirect participants of payment systems are regulated, such participants may engage a foreign entity that would not regulated under the PPF. This may have the effect of circumventing any regulations imposed on the direct participants of the payment system. **Question 31** • PREPAYMENTS o CASE is of the view that certain prepayments made to companies should also be covered under the definition of SV (and consequentially, SVFs). o In 2014, 2015 and 2016 (up till September 2016), CASE received a total of 502, 480 and 668 complaints from consumers respectively pertaining to their loss of prepayments resulting from business closure. o In 2016, the closure of California Fitness resulted in the highest number of consumers'

		complaints and losses reported to CASE. Based on the liquidators' report on California Fitness, it would appear that there were around 27,000 members who were now owed $20.8 million in unused gym access and unredeemed personal training sessions. ○ This suggests that for a majority of closures, consumers do not proactively report their losses (arising from business closure) to CASE and the total amount of loss incurred by consumers could be as high as 208 times the amount reported to CASE. ○ From CASE's experience, the industries that have the highest pre-payments losses were: Fitness Clubs, Travel and Beauty. ○ Without regulating certain types of pre-payments, CASE is of the view that consumers may not be in the position to appreciate which aspects of their payments made to business would be regulated under the PPF. For instance, a consumer that makes payment to a SVF (owned by the business) for a SV, intending for the same to be applied to a product or service of a business is likely to be covered under the PPF. However, a consumer who purchases the products and services directly (or make prepayments for products or services) from the business (that may offer such SVF) would not be covered under the PPF. ○ In both instances however, the consumer enters into the transaction intending to receive either the credit (through products or services), products or services at a later date. ○ Hence, CASE is of the view that the PPF ought to provide some protection for certain prepayments and the definition of SV and SVF should be sufficiently broad to accommodate the same. Failing the utilisation of such a broad definition, CASE anticipates that business would otherwise structure such SV as prepayments to avoid any form of regulation. **Question 33** • Based on historical consumers' complaints, CASE is of the view that there may be a less compelling reason to regulate SV that are a by-product from a merchant's enhancement of existing business processes, such as earning points and rewards (i.e. not many consumers' complaints pertain to such SVFs, suggesting that there may be a lower counterparty risk for such merchants

		and such merchants often have a proper dispute resolutions process in place to address consumers' complaints). • Further, regulating such by-products may have the unwanted effect of reducing the incentive for the merchants to offer such earning points and rewards. • If the decision is made to regulate such SVFs, CASE is of the view that such SVF should not be subject to the same requirements as 'normal' SVFs. To state one such possible differentiation, there may not be a need to segregate a portion of the business funds to cater to the unutilised points or rewards. **Question 35** • CASE supports any requirements that would safeguard customers' funds and provide protection for both Singapore and non-Singapore residents. • CASE's experience suggests that businesses that have closed under a financial cloud often have comingled customers' funds with the business' operating accounts, with there being a prevalent pattern of employees managing the business utilising customers' funds to sustain a loss-making business. • While this is, in some situations, unavoidable, CASE is of the view that there is a case to be made for protection mechanisms to be put in place measures to minimise the risk of monies that have been given by customers in exchange for a promise of future services being inappropriately placed at risk in the event of a default. • Such protections can of course be industry-sensitive and specific. For example, CASE currently requires that all businesses operating under our CaseTrust for Spa and Wellness accreditation to obtain pre-payment protection for any prepayments collected (i.e. purchase of spa packages or make a declaration of non-collection of prepayments). Under such a system, business may choose between purchasing insurance provided by our authorised broker (i.e. entitles the business to receive all the monies paid for the packages upfront) or to place any unutilised customers' funds into an account maintained by a third party (i.e. to receive part of the monies first and the rest upon utilisation of the packages).
10	Competition Commission of Singapore (CCS)	Requested for all comments to be kept confidential

11	Deutsche Bank	**Question 1** • We support the MAS proposal to regulate all payment activities under the Proposed Payment Framework (PPF) and the overall approach towards bringing the various payment activities and the entire payment ecosystem under a single framework. This will benefit both the payments industry and ultimately consumers. We anticipate it will encourage innovation and sharing of best practices across the various players, while setting clear regulations to ensure robust controls in each activity, thereby benefitting customers. • We recommend the PPF should be based on a transparent proportionality framework, setting a minimum standard across the industry, with the ability to gradually raise the benchmark as firms grow or become more complex. This will avoid high market entry barriers that keep away all but the larger companies. The minimum standard would also serve to better address cross-cutting issues that all market players need to protect against such as cyber security and technology risk, interoperability, money laundering and terrorism financing and to enhance consumer protection. • We view the PPF as an opportunity to bring new payments technologies – such as virtual currencies and innovative products like electronic wallets - under the regulatory purview in a holistic way. We commend that at present, only intermediaries of virtual currencies are proposed in the scope of the PPF but we seek a clear definition of anonymous instruments, including virtual currency, in subsequent consultation papers. • In our detailed responses, we also highlight several areas where we believe subsequent consultation should clarify that the PPF seeks to complement other existing laws, rules and regulations and does not supersede existing regulations other than the Payment Systems (Oversight) Act (PS(O)A) and relevant sections of the Money-changing and Remittance Businesses Act (MCRBA). This is important to avoid inadvertent overlaps where activity is already (and more appropriately) overseen under other financial sector legislation. • At the same time as spurring innovation, we believe all financial system participants should ensure risks from technology are appropriately mitigated. As such we recommend the scope Technology Risk Management (TRM) guidelines currently applied to financial institutions (FIs) be expanded to include all participants in the payment ecosystem.

		Question 2
		
		• We commend the intent to create a level playing field between banks and non-banks and the requirement to apply only for a single license to carry out multiple activities.
		  ○ A level playing field across banks and non-banks will foster competition and innovation which coupled with a robust control and supervisory mechanism will protect the consumer.
		  ○ A single license regime should ensure an easy process for new entrants and overseas service providers who may want to enter the Singapore market by offering a single activity on a pilot basis before providing the entire range of services. We agree that this requirement should also apply to overseas payments service and communication platform providers.
		• An uncomplicated single licensing process will foster increased competition, leading to innovation in Singapore's payment industry and is essential for consumer protection. Cost efficiency and proportionality as two key basis of licensing are also important to create a level playing field that can foster healthy competition, encourage innovations from smaller or start-up companies, facilitate market access, promote choices for consumers and reinforce financial market integrity.
		• As suggested in response to Question 1, subsequent consultations must clarify how the PPF will interact with other existing financial services regulations, so as to avoid overlaps and duplication. Bringing non-banks in scope of regulations which are currently applicable only to banks (or FIs) or setting a single set of regulations per activity carried out by each category of players will also pave the way for a level playing field.
		
		Question 3
		
		• The designation regime in the PS(O)A covers the payment systems and protects the interests of the public and the Singapore's financial system from systemic risks. In parallel, the systematically important banks are governed by the Framework for Domestic Systemically Important Banks (D-SIBs) in Singapore.
		• Therefore, if existing payment systems designation regime is extended to all payment service providers undertaking payment activities, care needs to be exercised to prevent duplication of other regulations,

		which would be onerous for existing service providers that are already assessed for their systemic importance. [For example, the D-SIB regime already considers a share of payments activity.] • The scope of PPF would also include non-bank payment service providers. Currently, there is no designation regime that includes these and the other new segments that are proposed in scope of the PPF. As such, a consistent approach towards currently regulated providers as well as these future regulated providers will be required. • As suggested in the response for Question 1, the PPF should be based on a fundamental principle of transparent proportionality framework whereby, a new payment service provider or a smaller (start-up) service provider is subject to a minimum level of regulatory requirements, versus a payment service provider that has a material impact to the Singapore financial system and therefore should be subject to a higher level of regulatory scrutiny and requirements. **Question 4** • We support the proposal that foreign payment service providers should be required to apply for a license under the PPF to offer services to Singapore residents and meet all relevant requirements as outlined in the PPF. As outlined in Question 2, we believe the licensing process should be as cost efficient, transparent and proportionate as possible. Local presence requirements should also be cost effective. As Singapore residents can still be "reverse enquiring" and use services from overseas service providers in the borderless digital economy, we think requirements to establish a domestic presence should be based on the Activity and determined by a pre-defined threshold linked to systemic importance. • We anticipate that any automatic localisation requirements of operating infrastructure or data will encumber new entrants and innovation in Singapore. We therefore seek assurance that there is no intent to mandate onshoring of the hardware or software for the foreign service providers for any activity in scope of the PPF. • Finally, we observe that foreign and overseas is interchangeably used in the consultation document, this could cause confusion as a foreign service provider could mean a foreign domiciled but having a presence in Singapore. Clarification is sought regarding definition of foreign service provider and overseas service provider.

		Question 5 • We agree with the proposed activities. **Question 6** • We support the proposed scope of Activity 1. • We agree the PPF should consider Bitcoin as an example of an anonymous instrument and virtual currency. This can facilitate greater acceptance and developments in this area, subject to continuous analysis and understanding of its potential implications in the banking system and effective compliance of regulations that are in line with the Financial Action Task Force (FATF) Recommendations. • However, we recommend including a definition of anonymous instruments, and especially virtual currency, in subsequent consultations on the PPF. Defining virtual currencies would be a step towards creating an anti-money laundering (AML) and counter-terrorist financing (CTF) framework by preventing the misuse of virtual currencies. • That said, care needs to be taken in drafting the specific definition and treatment of virtual currencies in subsequent consultation. For example, the Inland Revenue Authority of Singapore (IRAS) currently does not consider virtual currencies (e.g. Bitcoins) as 'money', 'currency' or 'goods'. Instead, the supply of virtual currency is treated as a supply of services for calculation for Goods and Services Tax (GST) purposes. Whereas using virtual currencies to pay for goods or services is considered as a barter trade by IRAS. We recommend MAS, IRAS (and other agencies as needed) should review and align their definitions of virtual currencies that is consistent in Singapore, but flexible enough to adapt in future as use and risk around virtual currencies may develop in future. **Question 7** • MAS proposes to define a payment instrument as an instrument that provides a user access to regulated funding sources for the purpose of initiating payments. These funding sources include: deposit and checking accounts regulated under the Banking Act; credit facilities regulated under the Banking Act; and stored value facilities (SVF). We support this definition and the proposal that cash and other anonymous instruments, having no identifiable issuer that opens and maintains accounts for users, should not be considered as

		regulated funding sources or payment instruments and must be kept out of scope of Activity 1. • However, while we have highlighted that virtual currencies are not defined in this consultation and since they are also not recognised under the Banking Act, we are unable to determine how, in future, accepting deposits and making payments in the form of virtual currency would be practically managed under the scope of Activity 1. We seek clarification on the approach to future treatment of such potential products. • As Singapore is a leading international financial centre and one of the global Fintech hubs, we would encourage and expect MAS to take a lead in creating a framework for innovative banking products that may stand the test of time. **Question 8** • We agree that internet banking portals must be regulated under the overall MAS regulatory framework. However we recommend that the payment instruments, as approached by the PPF, be clearly distinguished from the technology used to make payments. As such, internet banking portals should not automatically be considered a payment account or a payment instrument. For example, the internet banking portals used by FIs are currently governed under the TRM guidelines. • The MAS Technology Risk Management (TRM) guidelines published in June 2013 sets out technology risk management principles and best practice standards that already cover online systems including internet banking portals, mobile online services and payments security used by financial institutions (FIs). • As suggested in the response to question 1, we propose the scope of the TRM guidelines to be expanded to include all players performing the role of payment service providers. This will ensure uniform minimum technology risk standards across Singapore's payment ecosystem. **Question 9** • We support the approach of linking payment instruments to regulated funding sources. Linking payment instruments to regulated funding sources is a prudent approach to ensure control and oversight at the cash in and cash out stage of the payment life-cycle. This approach would be especially effective for anonymous instruments (such as Bitcoin) which do not

		have an identifiable issuer and for peer-to-peer transfers which do not use traditional payment infrastructure. Oversight on payment instruments through the regulated funding source will further strengthen the AML and CTF regulations. • As mentioned in our response to Question 7, we support the proposal that cash and other anonymous instruments, having no identifiable issuer that opens and maintains accounts for users, should not be currently considered as regulated funding sources or payment instruments and must be kept out of scope of Activity 1 initially. • However, as we believe virtual currencies should be defined under the PPF, we suggest considering allowing sufficient flexibility that future products such as peer-to-peer transfers and other forms of payment using virtual currencies to come under the definition of payment instruments. **Question 13** • We are supportive of the scope of Activity 3. • We strongly commend the inclusion of intermediaries of virtual currencies as this would ensure firms providing exchange services and wallet services of virtual currencies (such as Bitcoin) are brought into the regulatory framework. This is a prudent approach to ensure control and oversight at the cash in and cash out stage of the payment life-cycle and will further strengthen the AML and CTF regulatory framework. • Further as mentioned in the response to Question 6, a clear definition of virtual currencies will clarify the practical impact of the PPF on intermediaries of virtual currencies. **Question 14** • We are supportive of the inclusion of remittance businesses under the PPF. • As suggested in the response to Question 1, care should be taken to avoid inadvertent overlaps where the activity is already (and more appropriately) overseen under other financial sector legislation. For example: interbank remittances carried out by banks on behalf of their corporate clients are governed by existing banking regulations. It should be clarified that only remittance activity subject to the Remittance license under MCRBA is in scope of the PPF. Institutions such as Banks and FIs are governed under other regulations and hence should not also be subject to a separate regime for the same activities under PPF.

		Question 15 • We are supportive of the inclusion of domestic, cross-border, and inbound money transmission activities under the PPF. However as suggested in our response to Question 14, clarification regarding the scope of activities in the PPF is required to avoid inadvertent overlaps in regulation which are currently governed by other, existing regulations. **Question 16** • We are supportive of the proposed exclusion of payments purely for goods and services from the scope of Activity 3. However, if this is used as the basis for the definition of Activity 3, as suggested in our responses to Question 14, 15 and 17, we are concerned that the scope of activities in the PPF could inadvertently overlap with activities which are currently governed by existing regulations. **Question 17** • We are supportive of the inclusion of money-changing businesses under the PPF. • But as mentioned in the response to Question 16, we are concerned that the definition of Activity 3 may inadvertently bring other activities into scope of the PP. For clarity, it should therefore be clearly stated that Banks and FIs performing FX trading should not be viewed as money changing activity under the PPF. We believe the PPF should regulate only the money changers that would hold the Money-Changers license or the Remittance License under MCRBA. FX trading activity by institutions such as Banks and FIs are governed under other regulations and hence not be subject to a duplicative licensing or supervision regime under the PPF. **Question 18** • We strongly commend the inclusion of intermediaries of virtual currencies. In the interest of consumer protection, financial inclusion, healthy competition and economic growth, we are supportive, in principle, of including virtual currency intermediaries under Activity 3 pending the definition of virtual currencies. • As requested in response to Question 6, we call for virtual currencies to be defined in the subsequent consultations of the PPF.

		• As mentioned in our response to Question 13, including virtual currency intermediaries into the scope of supervisory scrutiny will further strengthen the AML and CTF regulatory framework. **Question 19** • As mentioned in our response to Questions 14-17, we seek clarification that activities already (and more appropriately) overseen under other financial sector legislation are out of scope of the PPF and whether the PPF will subsume both the PS(O)A and the Money-changing and Remittance Businesses Act (MCRBA), or just complement the latter. **Question 20** • We support the proposal on the scope of Activity 4. **Question 21** • We agree with your proposal on potential licensees. • As suggested in our response to Question 2, a transparent proportionality framework should be the fundamental basis of the PPF, depending on systemic importance. • As mentioned in our response to Question 4, we disagree that licensing should be automatically linked to local presence for foreign service providers, as this will encumber new entrants and innovation in Singapore. **Question 22** • We support MAS's proposal not to include manufacturers of payment terminals and software developers of payment gateways and processors, where they are not directly involved in providing payment activities in the scope of the PPF. Including manufacturers of payments terminals and software developers into the scope of Activity 4 which are indirectly in scope may have an unintended effect of including manufacturers and developers who have no direct service provision in Singapore into the PPF framework. • In any case, the MAS already has powers to ensure risks from manufacturers and developers are controlled, via the TRM guidelines which currently apply to all Financial Institutions (FIs). As mentioned in our response to Question 8, we suggest that as non-banks will enter the payments ecosystem in Singapore

		in future, all entities providing payments activities in Singapore should be brought into the scope of the TRM Guidelines. This will ensure that the technology adopted by non-bank service providers in the payment ecosystem including technology used in payments terminals and software related to payments in Singapore will be in scope of the TRM guidelines. • As mentioned in our response to Question 2, expanding the scope of regulations which are currently only applicable to banks to cover non-banks will pave the way for a level playing field across non-banks and banks. **Question 23** • We support in principle the requirement of licensing as mentioned in PPF section 2.31 for inter-bank payments messaging platforms to mitigate money laundering, terrorism financing and cyber security risks. However, how this will operate and impact the multiple users of such systems should be further deliberated in subsequent consultations. There are inter-linkages between payment instruments (Activity 1), money transmission and conversion services (Activity 3) and the payment communication platforms (Activity 4). The scope and clear definition of these three Activities needs to be jointly assessed before deciding on the parameters of a licensing requirement for inter-bank payments messaging platforms. • To ensure proportionality, we would suggest that inter-bank payments messaging platforms may be required to apply for a license under Activity 4, so MAS can maintain oversight and supervision on the international service providers without the service providers having to have a local presence. However in line with our proposal to use a transparent proportionality framework as the basis of the PPF, we suggest that systematically important inter-banks payments messaging platform could then be considered under the designation regime under section 2.40 of Activity 6, rather than under Activity 4, and be subject to a higher level of regulatory control and supervision. **Question 24** • We seek clarification on the definition of the payment instrument aggregation services and the application of the requirements in the PPF to such a service. • Similar to our response to Question 8, we suggest a need to allow a distinction to be made between the

		payment instrument aggregation service from the technology used to provide the aggregation service. The aggregation service should be provided only by service providers who are licensed under the PPF and the technology should be governed by the TRM guidelines, regardless of whether the licensee is a bank or a non-bank. Accordingly, we suggest that the technology used for providing payment aggregation services should be governed by the TRM guidelines. • We propose that the transparent proportionality framework should remain the guiding principle when determining the requirements of Activity 5. **Question 25** • Considering the increased proliferation of mobile payments, we agree that in the interest of consumer protection, the activity of mobile wallets should be brought into scope of PPF. However we seek clarification that the definition of mobile wallets is based on the functionality of mobile wallets. Mobile wallets storing user's payment card information could be classified under Activity 5, whereas mobile wallets which may offer a stored value facility may be classified as Stored Value Facilities (SVF) under Activity 7. • In line with our proposal of a transparent proportionality framework as the basis of PPF, we suggest a pre-defined threshold over which payment service providers will be subject to the licensing requirement. Accordingly, similar to the SVF regulations, operators holding more than a pre-defined amount of customer funds must apply for a license under the PPF. • In line with our response to Questions 8 and 25, the technology used to build a mobile wallet should be governed by the TRM guidelines. This will ensure that all providers servicing Singapore residents are licensed by the MAS under the PPF and will be required to meet the uniform technology requirements as set out in the TRM guidelines. This will allow for a standard benchmark across banks and non-banks covering all activities proposed in the PPF. The cyber security risk mentioned in section 2.35 should be addressed in the TRM guidelines. **Question 26** • In principle, we are supportive of the proposed scope of Activity 6. We seek clarification on section 2.41 about the aspects of governance that will be subject to

		the ambit of the NPC, specifically on enforcing compliance by payment service providers as stated in section 3.3 (K). **Question 28** • We support the proposal to include settlement institutions as part of Activity 6. We seek clarification that settlement institutions will mean only cash settlement institutions and not securities or derivatives. Additionally, we seek clarification whether the PPF's proposed designation regime would cover systems which are currently governed under the existing designation scheme but whose underlying activities are governed by other financial sector regulations, such as Continuous Linked Settlement System (CLS) which is governed under the Payment and Settlement Systems (Finality and Netting) Act 2002. **Question 29** • We support the proposal to exclude intra-bank payment systems and internal corporate payment systems. **Question 30** • We support in principle the proposal that international interbank payment and messaging systems must be required to apply for a license. As proposed in our response to Question 23, we think only inter-bank payments messaging platforms over a pre-defined threshold, based on systemic risk, should be covered under section 2.40 under Activity 6 and be subject to an increased level of regulatory control and supervision, to protect consumers' interests. • Including major operators of international interbank payment and messaging systems under Activity 6 will foster competition, encourage innovation and ensure uniform risk mitigation standards across local and international players providing service to Singapore residents. However, we seek clarifications on the approach that MAS will adopt in supervising foreign interbank payment and messaging system owners and consideration should be given as to how an international service provider may be subject to multiple regulatory requirements, which could at times, be conflicting.

		Question 31 • We support the proposed scope of Activity 7. We seek clarification on how digital wallets of virtual currencies might be treated in future under the PPF. Additionally, we seek clarification under what circumstances and criteria will the use of digital wallets could be considered as deposit-taking activity by the digital wallet service provider and therefore potentially subject to the Singapore Deposit Insurance Scheme. • We seek clarification whether section 2.44 will also apply to payment instruments and anonymous instruments such as cash and virtual currencies. **Question 33** • We support the approach not to regulate businesses that allow customers to pre-pay for specific products and services, are of limited purpose in terms of usage or acceptance, or where stored value is a by-product from a merchant's enhancement of existing business processes, such as earning points and rewards, which can be claimed for future redemption. While this may involve the payment systems, it will remain a closed scheme. Definitions and clarifications regarding "...earning points and rewards which can be claimed for future redemption..." will be necessary in the context of "what are virtual currencies" and to our response in Question 6 to avoid uncertainties that may impede industry developments. **Question 35** • We support the proposal that non-banks have to obtain a license in order to carry out the provisions of SVFs. We seek clarification on what is meant by "full bank liability" – for example, whether SVFs that hold more than S$30m of customer funds are a deposit-taking entity and therefore to safeguard consumer's interests, would be subject to the Singapore Deposit Insurance Scheme? We support the proposal to require segregating customer funds from operating funds as these are retail customers' monies. Given that the customers of the SVFs are retail customers, we propose that all customers be protected regardless of where they may be located.
12	Diners Club (Singapore) Private Limited	**Question 1** • Agree with MAS proposed activity based payments framework whereby payment, stored value facility, remittance and virtual currency intermediary are

		consolidated into a national and centralized framework. **Question 3** • Yes, they should be. Increasingly, there are many non-bank payment service providers who are licensed by international card schemes for limited issuance of universally accepted prepaid cards in Singapore. These should be brought under the existing designation regime as they participate in the payment activities as defined in the proposal. **Question 4** • Foreign payment service providers that provide service to Singapore residents should be required to establish a local presence so that foreign service providers can be held accountable under the PPF. Foreign Service Providers should be regulated and similarly licensed under the activity based payment framework. This will level the playing field for all whether local or foreign. This is particularly important from the perspective of AML & CTF oversight. **Question 5** • The proposed activities are comprehensive. **Question 6** • The proposed scope is adequate. **Question 7** • We are satisfied with the proposed definition of payment instruments. **Question 8** • Yes. Internet banking portals should be considered as a payment account and hence payment instrument. In this particular instance the internet banking portals are in fact virtual payment accounts, i.e. Bank Customer routinely uses the portal to pay for various bills. **Question 9** • We need to understand the word “linking” payment to a regulated funding sources? For clarity this needs to be defined.

		Question 10 • We agree with the scope of activity 2. In addition, we put up a case for Singapore to embark on central ownership of UPOS. In New Zealand, the case for central ownership of UPOS is that: • Case Study NZ – POS terminals under Paymark Limited are jointly owned by ASB, WestPac, BNZ and ANZ. Paymark processes over 900 million transactions worth over NZ$48 billion in 2013. More than 75,000 merchants and over 110,000 EFTPOS terminals are connected to Paymark. This has enabled widespread use of EFTPOs terminals for cashless payments in NZ. • In the current Singapore scene – fixed fee riding of SGD11 average per terminal per month per sharer make ubiquitous placement of UPOS to smaller merchant not financially viable. **Question 11** • We agree. **Question 13** • We agree with the proposed scope of activity 3. **Question 14** • Yes. Remittance business to be included. **Question 15** • We agree to the inclusion of domestic, cross-border and inbound money transmission activities. **Question 16** • We agree not to include payments purely for goods and services under the scope of activity 3. **Question 17** • We agree with the inclusion of money-changing business under the preview of MAS as this area of business is more prone to AML activities. **Question 18** • We agree with the inclusion of virtual currency intermediaries under activity 3 in particular due to the

		many reported cases of virtual bitcoin exchange going bust. **Question 19** • No. **Question 20** • The scope of Activity 4 is sufficient. **Question 21** • Yes. The list of potential licensees is comprehensive. **Question 22** • Manufacturers of payment terminals and software developers should not be included in the scope of activity 4 as they are only performing a supporting role for payment industry. **Question 24** • The proposed scope of Activity 5 is adequate. **Question 26** • The proposed scope of Activity 6 is adequate. **Question 27** • The list of potential licensees and exclusion under activity 6 is comprehensive. **Question 29** • We agree that the above activities are not to be regulated as the impact on a failure is of limited scope and not systemic **Question 31** • The proposed scope of Activity 7 is adequate. **Question 32** • Yes it is comprehensive.

		Question 35 • Protection should be applied only to Singapore Residents because it means less administrative cost.
13	Docomo Digital (NTT Docomo Group)	Requested for all comments to be kept confidential
14	Dr Sandra Booysen	**Question 3** • I agree that the distinction between payment services providers and remittance businesses is getting harder to draw and that a streamlined supervisory framework will probably be beneficial to avoid gaps and unwarranted disparate treatment.
15	East Springs Investments (Singapore) Limited	**Question 5** • We would appreciate MAS' clarification on whether the following types of service provider would be considered payment service providers that undertake activities under the Proposed Payments Framework ("PPF"), as well as the activity type that the service providers would be deemed to be undertaking under the PPF: a) A market messaging platform used for the transmission of cash remittance/ payment instructions between financial institutions (e.g. SWIFT); and b) A market trade matching and settlements utility used for the transmission of trade instructions to clients' custodian banks via SWIFT (e.g. OMGEO).
16	EZ-Link Pte Ltd	Requested for all comments to be kept confidential
17	Fintech Alliance	**Question 1** • Fintech Alliance welcomes a new payments regulatory framework for Singapore and looks forward to engaging constructively with the MAS on a balanced framework for the payments industry that will allow Singapore to continue to build its position as the Fintech hub and an attractive place in which to do business. The new framework and its specific rules and regulations should be harmonised with, and compared against, those on similar payment activities in other countries so as to avoid prejudicing payment businesses operating out of Singapore. • As a general comment, Fintech Alliance feels that whilst it is important for the new framework to be comprehensive in covering all the relevant payment activities in the payments ecosystem, a risk based approach towards the extent of regulation would be preferred. There must not be overregulation or disproportionate regulation, particularly for the nonbank service providers and those that are involved

		in activities that do not pose any large or systemic risks. • We would suggest a tiered approach for some of the activities where certain categories of service providers are subject to lighter regulatory requirements or exemptions from certain requirements for e.g., start-ups, businesses that are of a smaller scale or complexity and businesses that handle low transaction volumes. • Also, where KYC/AML/CFT obligations are imposed on providers of regulated activities, the Fintech Alliance would strongly encourage the acceptance of modernised ways of identity verification and authentication. The use of technology like biometrics authentication and Skype should be permitted. • We look forward to providing further comments in the subsequent rounds of consultation where more specific details of the proposed definitions and requirements of each activity are expected to be shared by the MAS. **Question 2** • It depends on what the MAS means by a "level playing field" and whether there will be any difference in requirements for banks and nonbanks under the PPF. • Imposing equal standards and obligations on both banks and nonbanks will not, in our view, create a level playing field as banks are in many ways, in a far more advantageous position than nonbanks. Banks are traditionally providers of payment services and with a banking license can undertake a whole gamut of payment-related services which a nonbank providing only a specific activity within the payment ecosystem typically would not be able to. • To create a true "level playing field" where all players are able to compete fairly and nonbanks are able offer payment services alongside the banks and where innovation is not stifled by the high cost of regulatory compliance, we are of the view that nonbanks and start-ups must be permitted to operate under less stringent or lighter requirements compared to banks. **Question 3** • Fintech Alliance encourages the creation of a comprehensive payments framework that provides clarity on regulations in a changing global payments landscape. However, to have a blanket framework that applies to "all payment service providers undertaking payment activities" could potentially be an overkill,

		depending on the extent of intended regulation in each of the payment activities. • To enable us to better understand the MAS' position and to provide a more meaningful response to this question, we would encourage the MAS to give its reasons and state the specific risks it is looking to address for each of the 7 payment activities it intends to regulate. As far as we are aware, a number of the payment activities are presently not regulated by the major financial centres. **Question 4** • Fintech Alliance is of the view that foreign payment service providers that provide services to Singapore residents should NOT be required to establish a local presence for the following reasons: 1. The provision of cross-border services are becoming more and more common in the era of the internet of things. It would not be practical of MAS to regulate every foreign payment service provider that has Singapore Resident customers. The effectiveness of laws that extend outside of Singapore would also be questionable as enforcement would likely be an issue. 2. Singapore residents may end up being denied the opportunity to access foreign payment service providers that could be providing very useful, more efficient and more comprehensive services than local providers. 3. It would encourage other foreign regulators to react similarly by requiring Singapore companies that provide payment services to residents in their respective countries to do the same. This could potentially lead to reduced market opportunities for Singapore companies and increased costs. **Question 5** • We think that the current list of 7 activities is comprehensive. However, we would like to understand the MAS' reasons and concerns for wanting to regulate each of the 7 activities. Whilst it is obvious that there is a need to regulate certain of the activities e.g., remittance and providing stored value facilities, it is not clear to us why (and how) the MAS is considering regulating certain activities such as payment gateways and account aggregators, etc.

		Question 6 • We appreciate that payment instruments are an essential part of payment systems. However, the issuing and maintaining of payment instruments (linked to regulated funding sources) in itself does not, in our view, generate any big systemic risks. As such, any requirements that are intended to be imposed on service providers engaging in Activity 1 should not, in our view, be over-burdensome. There must be enough flexibility given to encourage the use of various types of payment instruments (including any new forms that may arise from the rapid development of Fintech and mobile payments) that can promote a more efficient economy and to encourage a cashless society. **Question 7** • Internet banking portals, apps and ewallets that are used purely to facilitate the transfer of monies from a regulated funding source to another and not for payment of goods and services, should not be considered payment instruments. **Question 8** • No, we do not think that internet banking portals should be considered payment accounts or payment instruments under the PPF. As internet banking portals would be operated by the banks, any intended regulation on banks relating to the operating of internet banking portals (which generally involve more than just bill payments) would sit better under the Banking Act, rather than the PPF. **Question 9** • We agree that cash and other anonymous instruments should be excluded from the scope of payment instruments. A clear definition of "anonymous instruments" should be given in the PPF. **Question 10** • The scope of "acquisition of payment transactions" seems very wide. We would like to know the main concerns of the MAS and the objective behind the proposed regulation of Activity 2. Unless the MAS intends to be very specific about the types of activities or the specific risks that it is seeking to control/regulate under Activity 2, there could

		potentially be a lot of uncertainty whether certain businesses would be caught. Traditional methods of payments and current models of how and where payment transactions are being acquired are, and continue to be, rapidly challenged and changed to lower costs for merchants and give consumers better payment options. The regulations will need to be flexible enough to allow for changing business models otherwise the PPF might stifle innovation and competition if the net is cast too wide. **Question 11** • It depends on the intended scope and extent of regulation on the participants. • If being regulated means imposing KYC/AML requirements and other procedural, reporting, security and risk management obligations on the participants, we agree that it should be restricted to direct participants. Having too many layers of participants each having to meet their own regulatory compliance requirements would lead to the creation of a very inefficient payments ecosystem. Businesses are increasingly seeking operational efficiency and would expect their payments service providers to do the same. **Question 13** • We do not see the rationale of combining both money changing business and remittance business under a single activity under the PPF. Money changing businesses do not necessarily carry on a remittance business and vice versa. We assume that under the proposed rules, the requirements for a money transmission business and a currency conversion business would be kept separate and distinct and that it would be possible to apply for a money transmission license only without being subject to the requirements relating to currency conversion, and vice versa. **Question 14** • Fintech Alliance welcomes the inclusion of remittance businesses (as currently regulated under the MCRBA) under the PPF. **Question 15** • We do not agree that domestic money transmission activities should fall under the scope of Activity 3.

		• Providers of peer-to-peer domestic transfer services, in particular, should not be subject to licensing and regulatory constraints. Alternatively, if they are so subject, any regulatory requirements should be light on the nonbank providers (particularly start-ups) and those that process low volume transactions so as not to stifle innovation and discourage the move towards a cashless society. The cost, time and effort needed to obtain licenses and ensure ongoing regulatory compliance could create undue burden on start-ups and nonbank providers. **Question 16** • Fintech Alliance supports the intention. Remittance business should continue to be restricted only to transfers of money that are not purely payments for goods and services. Activities related to payments for goods and services are already, in our view, adequately covered under the other proposed activities under the PPF. **Question 18** • If the intention of regulating virtual currency intermediaries is to combat the inherent risks of money laundering and associated financial crimes, we would suggest that Activity 3 regulates only virtual currency intermediaries that enable the conversion of virtual currencies into traditional currency and that allow the anonymous withdrawal of such traditional currency. **Question 20** • Fintech Alliance would like to understand the regulatory intent behind Activity 4. What are the risks that the MAS would like to mitigate and how specifically does the MAS propose to regulate operators of payment gateways, payment kiosk operators and payment processors? Take for example payment gateway operators of payment gateways mainly provide software-only services and are already required by card associations to meet certain industry security and compliance standards (e.g. PCI and ISO). Is it the intention to impose further technical compliance standards on payment gateways? If so, what would be the added benefit?

		Question 22 • Fintech Alliance does not see any merit in regulating manufacturers of payment terminals and software developers. There are already industry standards and certifications these payment terminal and software providers are required to meet by the customers and the card associations. **Question 23** • Fintech Alliance does not see any merit in regulating interbank payments messaging platforms. The users of such platforms are already regulated entities and should be able to verify and ascertain for themselves whether the providers of messaging platforms they engage meet acceptable industry standards on security, data retention etc.. To create an additional layer of regulation within the system would seem counterproductive in a society that is moving towards greater efficiency and lower costs in the payments ecosystem. **Question 24** • Fintech Alliance does not see the rationale for regulating payment instrument aggregation services. If the concern is the risk of data breaches by these providers, there are already strict data privacy laws in Singapore that require a recipient to protect a consumer's personal data that is collected (including a user's payment card information). • Would robo advisors (particularly those that perform automated trading) fall under the scope of Activity 5? **Question 25** • It depends on how involved the "mobile wallet" provider is in the payment process and whether they are really just payment instrument aggregators. For example, mobile wallet operators like Apple Pay and Samsung Pay are purely payment instrument aggregators because they are just providing an additional service on top of the parties involved in the movement of money in a payment transaction. They do not collect payment transaction information that is tied to a mobile user and are also not involved in the movement of the money that is being used for payment. Such mobile wallets should not, in our view, be regulated under the PPF.

		Question 26 • We agree that operators of payment systems (such as the card associations and ACHs) that process large volumes of payment transactions could potentially cause major disruptions to the overall payment ecosystem. They should therefore be regulated. • We are of the view that interbank messaging systems should not be in Activity 6. If regulated, interbank messaging systems, which are purely software, should more appropriately fall under Activity 4. **Question 27** • Fintech Alliance views the list as comprehensive and would encourage the inclusion of exemptions or a lighter touch regime for nonbank players that operate payment systems that deal with low transaction volumes. **Question 29** • Fintech Alliance agrees with the proposed approach. Such systems are self-contained and risks should be left to the relevant stakeholders to manage. **Question 31** • Fintech Alliance agrees with the proposal to clearly define the scope of what is meant by "stored value" and looks forward to the next consultation on the specific definition to be provided by the MAS. We agree that both online and offline SVFs should be similarly regulated. • Fintech Alliance encourages the inclusion of a lighter touch regime for those providers that hold not more than a threshold amount of float as stored value (i.e. similar to (or even higher than) the current SG$30M threshold under the PS(O)A) in order not to discourage innovation in the payments system, particularly in the area of mobile payments. **Question 32** • No, not based on the limited information in the consultation paper. **Question 33** • Fintech Alliance agrees with the approach. Single purpose or limited use prepaid schemes are often

		offered by merchants to enhance their business process and sales and hence risks of abuse are relatively low. Imposing regulatory requirements on such merchants/issuers are likely to increase overall business costs for merchants which will in turn be reflected either as higher prices for consumers or, where merchants cannot cope with the increased costs and are forced to close down, lesser choices for the consumer. Where the commercial activity has little or no bearing on financial stability of the payments system, there should not be regulations that impede it. In addition, major financial centres like UK and HK do not regulate such single purpose or limited use SVFs. **Question 34** • Loyalty rewards and bonus points schemes that allow for dollar redemptions are currently in this grey area. **Question 35** • We agree that there should be some safeguards put in place for the consumer but there must be a balance between wanting to protect the consumer and allowing businesses to make use of prepaid programs to facilitate cash flow and improve their services in an already difficult business environment. Any protection for the consumer should cover all consumers/users of the service, regardless of whether they are Singapore or non-Singapore residents.
18	The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch; HSBC Bank (Singapore) Limited; and HSBC Insurance (Singapore) Pte Limited	Requested for all comments to be kept confidential
19	Lufthansa AirPlus Servicekarten GmbH	**Question 1** • Lufthansa AirPlus Servicekarten GmbH ('LASG') together with its subsidiaries ('AirPlus') is a leading international provider of business travel payment and data management solutions. It has provided payments services to its clients since its establishment in 1989. • AirPlus is active in over 60 countries around the world. It holds payment institute licenses in Germany (with BaFin, based on the EU Payment Services Directive), Italy, United Kingdom, a Money Services Operator license in Hong Kong and an AFS Licence in Australia.

		AirPlus holds MasterCard issuing licenses in Germany, UK, Italy, Austria, Switzerland, Hong Kong and Australia. • AirPlus acknowledges the findings of KPMG in its report 'Singapore Payments Roadmap, Enabling the future of payments: 2020 and beyond' that consumers and businesses are increasingly accepting of electronic payments, and willing to adopt innovative solutions to their payment needs if those payment methods offer both security and convenience. Our experience is that the willingness to adopt non-traditional payment methods is enhanced in jurisdictions where those providers are subject to appropriate levels of regulatory oversight, promoting user confidence in individual providers and the system. • The payments industry is dynamic, and innovation is constant. In any dynamic market it is important that the correct balance is struck between innovation, competition and consumer and market protection. • As a leading international payment provider, AirPlus is supportive of overarching regulation and governance of payment activities in Singapore. • As observed by KPMG, the regulatory framework in Singapore has been centred on risk reduction and management, focussed on providers that present systemic risk to the system. • The prevailing legal framework (consisting of the Payments Systems (Oversight) Act and the Money-changing and Remittance Business Act) has limitations in terms of scope and consistency and does not offer clear pathways for payment services that do not operate business models with the character of those contemplated when these two laws were introduced. • Broadly, LASG welcomes the approach proposed in the consultation paper, being a 'forward looking', 'risk based' framework for payments businesses, designed to: better protect the consumer; provide regulatory certainty to those in the market or proposing to enter the market; and provide a level playing field for market participants. • Such a framework will allow the community, providers and consumers to benefit from the security and certainty that a comprehensive regulatory and governance framework can provide. **Question 2** • The consultation paper notes that MAS envisages that banks will be exempt from a separate licence to conduct payment activities.

		• AirPlus considers that such an exemption is appropriate if there is an equivalence of regulation for payment services for the bank and other providers of payment services. **Question 3** • Under the Payment System Oversight Act, the MAS may designate a payment system as a designated payment system for the purposes of this Act, if: a disruption in the operations of the payment system could trigger, cause or transmit further disruption to participants or systemic disruption to the financial system of Singapore; a disruption in the operations of the payment system could affect public confidence in payment systems or the financial system of Singapore; or it is otherwise in the interests of the public to do so. • For any designated payment system, the MAS may set standards and access regimes for participants, operators or a settlement institutions of the designated payment system, on such terms and conditions as the MAS considers appropriate. The legislation sets out what must be taken into account for setting such standards. This includes: whether the imposition of the access regime in respect of the designated payment system would be in the interests of the public; the interests of the current participants, operator and settlement institution of the designated payment system; the interests of persons who, in the future, may require or desire access to the designated payment system; and such other matters as the Authority may consider to be relevant. • MAS must ensure that the access regime is fair and not discriminatory. • AirPlus is of the view that the existing designation regime should remain. It strikes the right balance between risk to the financial system and individuals, competition and efficiency. The focus for designation should continue to be controlling risks, however this must be balanced with fair access to new participants. **Question 4** • We note that the Consultation Paper indicates that, at present, MAS only intends for licensing to apply to locally established payment service providers. • The proposed regulatory framework promotes a 'risk based' approach. Such approach would be applied to

		not just to the framework itself but to those eligible to particulate in the market. Regulation of the payments industry in Singapore should reflect Singapore's status as a hub for international and global companies and should seek to facilitate the operations of foreign companies working via branch-offices. • An approach that excludes 'foreign' entities as a group fails to recognise the importance of international operators in efficient payments markets. The role of technology means that 'foreign' providers will likely continue to prevalent in the sophisticated markets. These operators will be interested to operate their own efficient structural and governance models. • As a foreign payment service with a Singapore branch, LASG is not in favour of an approach that will require the establishment of a locally subsidiary or locally controlled entity as the licensed entity. • Such a requirement would reduce the efficiency of international operations and, as such act as a barrier to entry for both established and emerging operators, with a likely corresponding impact on the 'take up' by for foreign providers and/or the cost to businesses and consumers. • An approach that envisages acceptance of foreign entities into the regulated framework will enhance involvement in the Singapore payments market by providers with a proven track record of innovation and improvements, such as in product development, security and consumer protection. As such, foreign entities should not be excluded from the scope of the PPF, where they otherwise do not pose an increased risk for the system, businesses or consumers. This risk can be assessment through the application process, and the operating conditions applied to licenced entities. • With these risk measured applied, in the view of LASG, an international provider with a local branch should be a sufficient 'local presence' for regulatory purposes. Accordingly, the terms of the proposed regulation should either include those entities specifically, or be broad enough to accommodate branch-offices of foreign companies with a business presence in Singapore. **Question 5** • MAS is proposing single licence, activities based, regulation. Seven activities are currently proposed. • LASG supports, as a general proposition, a single licence approach. It is also supportive of an approach

		whereby payment activities are regulated distinctly under that licence. This will allow: o Providers to be licensed under one framework, but for activities relevant only to their business model; o Licence variation to add activities as business models change; o Different regulatory measures to apply to different activities depending on the risk posed by those activities. • In the view of LASG, this outcome could be achieved by a framework design that focusses on general licensing requirements and particular requirements for the authorised activities. • However, for the regime to be flexible and adaptive to continued change and innovation in payment services, it will be important for the activities regulated to be broad. An overly granular approach to the description of regulated activities will pose a risk that the regulation will be bound by existing market offerings and services and, as such, may not offer clear regulatory pathways for payment services that do not operate business models with the character of those contemplated in the activities proposed. • Further the process for the variation and addition to authorised activities must be transparent and efficient. Change in business-strategy in the payments industry is fast-paced. If the activity-based licensing model is adopted, mechanisms must also be set down whereby providers can quickly receive approval for an additional category of activities should the company change its business or product strategy. • This is a genuine concern for Fintech companies and providers of innovative technology and the PPF should be drafted in such a way so as to allow for product progression and advancement. • In setting the regulatory regime it should be borne in mind that payment service providers are heavily regulated in many jurisdictions around the world, such as Europe, Hong Kong and Australia. It may prove useful for the MAS to implement a mechanism whereby licences from place of incorporation and/or operation are recognised (whether in a persuasive or binding fashion) so as to prevent over-regulation. For example, holding a licence in a jurisdiction recognised by the MAS as having 'equivalent' regulation should be a pathway to exemption or at least, indicate, or even determine, the company's suitability to operate in Singapore. • We are not aware of any activities at present that are not contemplated by the list in the Consultation Paper,

		noting that the focus of activities appears to be on the provider of facilities that discharge, or facilitate discharge of payment obligations, rather than those that recommend such facilities. • AirPlus is eager for the MAS to elaborate on how additional activity categories are to be established and regulated. **Question 6** • AirPlus is eager to see its primary products incorporated into the regulatory framework of Singapore. As mentioned above, this will allow companies to operate with the knowledge that their services are compliant and that customers have redress to legal relief. • Our activities currently include AirPlus Company Account and Merchant Agreement (based on a three party system). Our customers are generally companies booking travel or accommodation, however, we have agreements with travel agencies as merchants to facilitate acceptance. • AirPlus is planning to also introduce A.I.D.A. in Singapore (a virtual card payments system) in which LASG effectively operates as a (virtual) card issuer in the MasterCard scheme (a four party system). We note that our A.I.D.A. offering is very likely to fall within Activity 1 of the Consultation Paper. • In relation to this proposed activity, in our view, the scope of the payment activity as outlined in the consolations paper is appropriate. • The activity description, once adopted, should clearly include virtual cards and other electronic interface as well as debit and credit 'card' issuing services. In other words, the activity should not be limited to physical card issuance or to issuing of credit through approved card schemes. • For issuing services covered by designated card scheme rules, appropriate relaxation of licence regulations or licence requirements should be considered in order to avoid duplication of regulation under the card scheme rules. **Question 9** • MAS does not intend for regulation of Activity 1 to apply to regulated funding sources linked to payment instruments. Under the PPF, as proposed, it is likely that instruments, such as rewards/points cards, not linked to regulated payment instruments will not be regulated.

		• LASG considers that such an approach should be by way of generic exemptions from the requirements to hold a licence for such instruments that do not pose a systemic risk, rather through a limitation of the defined activities. This would also allow for the regulator to monitor developments in this market and refine exemption terms over time if required. **Question 10** • As stated above in the answer to question 6, LASG is eager to see its primary products incorporated into the regulatory framework of Singapore. • Our activities currently include AirPlus Company Account and Merchant Agreement (based on a three party system). Our customers are generally companies booking travel or accommodation, however, we have agreements with travel agencies as merchants to facilitate acceptance. • AirPlus is planning to also introduce A.I.D.A. in Singapore (a virtual card payments system) in which LASG effectively operates as a (virtual) card issuer in the MasterCard scheme (a four party system). • The consultation paper notes that third party scheme operators will be considered as undertaking Activity 2. As such, our A.I.D.A. offering might also fall within Activity 2 of the Consultation Paper. • In relation to this proposed activity, in our view, the scope of the payment activity as outlined in the consolations paper is appropriate. • The activity description, once adopted, should clearly include virtual cards and other electronic interface with merchants, and well as debit and credit 'card' issuing services. In other words, the activity should not be limited to physical card acceptance or to acceptance of credit through approved card schemes. • For acquiring services covered by designated card scheme rules, appropriate relaxation of licence regulations or licence requirements should be considered in order to avoid duplication of regulation under the card scheme rules. **Question 26** • As mentioned above, LASG is eager to see its primary products incorporated into the regulatory framework of Singapore. As mentioned above, this will allow companies to operate with the knowledge that their services are compliant and that customers have redress to legal relief.

		• Our activities currently include AirPlus Company Account and Merchant Agreement (based on a three party system). Our customers are generally companies booking travel or accommodation, however, we have agreements with travel agencies as merchants to facilitate acceptance. • AirPlus is planning to also introduce A.I.D.A. in Singapore (a virtual card payments system) in which LASG effectively operates as a (virtual) card issuer in the MasterCard scheme (a four party system). • We note that our AIDA offering is very likely to fall within Activity 1 of the Consultation Paper and our company account is likely to be caught, for the acquiring services provided, by Activity 2. Based on the description of Activity 6 in the consultation, in our view, the operation of a three party system will in itself be a regulated activity. • For a three party system this will arguably result in a requirement to be regulated for Activity 2 and 6 for issuing the relevant facility. • LASG submits that unintentional consequences of this outcome should be avoided. **Question 29** • LASG supports this approach. This risk posed by 'internal' systems does not warrant regulation of such systems. **Question 33** • The current approach of MAS is not to regulate business that allow customers to pre-pay for specific products and services, are of limited purpose in terms of usage or acceptance, or where stored value is a by-product from a merchant's enhancement of existing business processes, such as earning points and rewards, which can be claimed for future redemption. • LASG considers that such an approach should be by way of generic exemptions from the requirements to hold a licence for such instruments that do not pose a systemic risk, rather than through a limitation of the defined activities. This would also allow for the regulator to monitor developments in this market and refine exemption terms over time if required.
20	M1 Limited	**Question 31** • MAS stated that it intends to license and regulate the holding of all SVFs under the PPF. In addition, non-banks will be required to obtain a license in order to carry out the provision of SVFs.

		• M1 is concerned that the ensuing onerous requirements will impose disproportionate compliance costs on non-bank institutions who offer SVFs that pose very low risk to the financial system. • M1 currently offers single-purpose SVFs (i.e. mobile prepaid SIM cards) that can only be used for telecommunication services. Under the current regulatory framework, single-purpose SVFs are exempted from regulation and licensing as they pose very low risk for money-laundering and terrorism financing. M1 believes that this should continue to apply under the proposed PPF as the risk factor of single-purpose SVFs has not changed. **Question 33** • MAS stated that the proposed PPF is to be applied on an activity basis to entities, and regulatory requirements will be risk-based and calibrated to specific risks observed in various payment activities. • In line with the above principles, M1 is of the view that the above businesses should not be regulated as they would pose very little or no risk to the financial system. • In addition, there are already strict controls in place (e.g. registration and imposing an upper limit on the stored value and limiting the monetisation of single-purpose SVFs) to reduce any potential money-laundering and terrorism financing risks. **Question 35** • M1 is of the view that the imposition of any such requirements should follow the principle of proportionality in relation to the risks posed and taking into consideration the type of SVFs, its risks and operating controls.
21	Mastercard Asia/Pacific	Requested for all comments to be kept confidential
22	MoneyGram International	Requested for all comments to be kept confidential
23	Network for Electronic Transfers (S) Pte Ltd	Requested for all comments to be kept confidential, except for Question 1. **Question 1** A Singaporean institution • NETS is pleased to participate in the MAS consultation paper with other payments providers in Singapore to share ideas and discussions with MAS with the goal of improving the regulatory and operational environment for payment activities in Singapore.

		• Since its inception in 1985, NETS has grown with Singapore, becoming part of the country's DNA. Evolving to the needs of Singaporeans, NETS now helps one in three Singaporeans make payments every day. • With the introduction of the NETS debit infrastructure, Singapore took the first big step towards cashless payment. It marked the first time bank cardholders could pay with just a card and PIN. The NETS debit infrastructure now enables 10 million debit cardholders from DBS, POSB, OCBC, UOB, Maybank, Standard Chartered and HSBC bank to use their cards for everyday payments. • Singaporeans have more than 95,000 points of sale to use their NETS cards and last year $23 billion in transactions were processed through our systems. • As the backbone of the payment infrastructure in Singapore NETS is continually looking for ways to improve our service and develop new and innovative products for our customers. We look forward to working closely with MAS to improve the relationship between NETS and the legislator. A well-developed regulatory environment • With more than 30 years of trust built between NETS and the Singaporean consumer we are well placed to provide insights into some of the challenges facing consumers, how to create regulations that are fair to all payment players and what needs to be done to ensure that the payment ecosystem in Singapore remains vibrant and focused on growth. • Every day Singaporeans put their trust in NETS for their financial transactions. The large majority of these transactions occur through NETS' Electronic Funds Transfer at Point of Sale (EFTPOS) which is currently well regulated with stringent and specific requirements in place to protect Singaporean consumers. • NETS is always looking for ways to improve transparency, fairness of access, security and stability. Our reinvestment in infrastructure and new technology during the last 30 years has been driven by our belief in improving the transaction experience for our customers. While we welcome greater input from MAS and the proposed National Payment Council (NPC) we want to make sure that regulatory decisions are made with a "light-touch". A level playing field • As the central provider of the NETS EFTPOS service, NETS is concerned that the proposed regulations will dilute its integrity and fragment a stable system in the name of creating a "level playing field." This may erode

		the established trust that Singaporeans place in their electronic payments. Moreover creating a greater regulatory burden for entities that exist only in Singapore without a similar requirement for international players puts NETS and Singaporean providers at a significant commercial dis-advantage. • NETS welcomes competition from a diverse cross-section of international competitors. We believe our home-grown talent and technology can compete with the very best global solutions. Our concern lies that the proposed regulations will allow international competitors to participate in the local market without facing the same, necessary, regulatory oversight. Commercial sustainability • A National Payments Council that brings together a variety of voices in the payment sector is a positive idea. NETS wants to make sure that the mandate of the NPC does not duplicate existing powers currently sitting with MAS. Additionally it should not assume responsibilities that are currently being performed by commercial entities. There is no pressing need for the NPC to provide operational oversight for activities already well serviced by NETS such as customer support. • From a commercial perspective NETS is concerned that the NPC, in its current suggested configuration, will create a situation that makes it difficult for NETS to control its revenue generation. NETS has worked to ensure a balance between commercial viability and continual improvement to its products and services. Legislated direction from NPC in this area could create challenging situations for NETS as we try to maximize investments in future growth and innovation. A partner for Singapore • Overall NETS is supportive of any consultation with the goal of improving the payments framework in Singapore. This includes working with MAS and all payment partners in the coming months to create a system that is beneficial to the Singaporean consumer and allows corporate entities the freedom to operate in a commercially viable manner.
24	OKLink Technology Company Limited	**Question 1** • Respondent believes that establishing a single governance structure would be efficient and effective, especially to balance the needs from centrally overseeing the two separate legislations: the Payment Systems (Oversight) Act and the Money-changing and Remittance Businesses Act.

		Question 2 • Respondent believes that the impact is difficult to quantify at this stage, as the impact will be highly dependent on the commitment of the MAS to a level playing field (i.e. regulating activities rather than technology itself or software/technology providers). Additionally, while risk-based controls are advocated to banks and non-banks, Respondent supports risk-based supervision being practiced by regulators, supervisors and legislatures. **Question 3** • Consistent to above and our introductory letter, Respondent would support innovation and risk-focused supervision by the MAS. A more prudent approach should involve assessing the payment service provider landscape, in terms of consumer protection as well as anti-money laundering/anti-terrorist financing/sanctions risk, to better understand payment activities that are ever changing by the users as well as providers. **Question 4** • In such a global economy, local/physical presence is just one factor. More importantly, MAS should consider a registration (not licensure) framework justified by risk to enable timely communication/contact, as well as a minimum requirement that providers must make themselves available in-person when requested by the MAS with reasonable notice. **Question 5** • Activities appear comprehensive, but perhaps the focus should be on activities that present significant financial industry systemic risk, anti-money laundering/anti-terrorist financing/economic & trade sanctions risk, and/or significant consumer protection risk. **Question 6** • While "Issuing and maintaining payment instruments" is a sound criterion, it should also be risk-based. For example, an issuer of closed-loop proprietary tokens or credits may likely present far less risk than an open-

		loop framework that is widely accepted (and used) in Singapore and other countries. **Question 7** • MAS should consider explicitly addressing proprietary digital tokens or credits (that are not fiat currencies, or backed by any government entity). Based on the draft proposed definition, Respondent believes that digital tokens could reasonably be excluded from the definition. **Question 12** • Respondent favours guidance stating examples of what's likely covered in the scope (i.e. 2.19) as well as what is excluded (i.e. 2.20). Additional insights to examples of activities (or activities-based) that are in or out of scope would similarly be helpful. **Question 13** • Because of the nascent stage of the virtual currency industry, Respondent does not advocate the inclusion of "virtual currency intermediaries which buy, sell, or facilitate the exchange of virtual currencies …" under the scope of Activity 3, "Providing Money Transmission and Conversion Services." MAS should consider the materiality and risks, and may want to provide additional education to the public on the risks of virtual currencies or digital assets (as well as traditional fiat currencies or physical assets such as real estate, commodities, precious metals, etc.) as well as the evolving usage of virtual currencies or digital assets, i.e. investment-speculation purposes, investment diversification purposes, transmission of value, messaging-purposes, settlement purposes between corporates/businesses, date/time-stamping purposes, etc. • If MAS decides to include "virtual currency intermediaries which buy, sell, or facilitate the exchange of virtual currencies" under the scope of Activity 3, Respondent advocates a level playing field with traditional intermediaries that buy, sell, or facilitate the exchange of fiat currencies, aka money remitters and/or money exchangers.

		Question 18 • Because of the nascent stage of the virtual currency industry, Respondent does not advocate inclusion under Activity 3, "Providing Money Transmission and Conversion Services." MAS should consider the materiality and risks, and may want to provide additional education to the public on the risks of virtual currencies or digital assets (as well as fiat currencies or physical assets such as real estate, commodities, precious metals, etc.). • If MAS decides to include virtual currency intermediaries, Respondent kindly asks that MAS better define "virtual currency intermediaries", and utilize the definitions advocated by Coin Center (www.coincenter.org), which describes itself as "a leading non-profit research and advocacy center focused on the public policy issues facing cryptocurrency and decentralized computing technologies like Bitcoin and Ethereum." Specifically, Coin Center has precisely defining factors that may better characterize intermediaries, such as "control" or "custody" of virtual currencies. For more details, please see … https://coincenter.org/entry/letter-to-the-uniform-law-commission. **Question 19** • Respondent appreciates insights into whether MAS believes blockchain network operators or blockchain software/technology providers to traditional remittance businesses would require registration, licensure, and/or supervision. Presently, there are many headlines and innovations touting the use of blockchains. As a member of the Fintech industry, Respondent believes MAS and other country supervisors can provide additional time for the industry to build up these early use-cases prior to implementing regulations. Supervisors could enact a registration process to keep an inventory of service providers in their respective countries and facilitate additional dialogue as necessary to monitor the overall financial and Fintech industry. **Question 26** • Respondent believes that the definition of "payment systems" and "payment systems which facilitate the transfer of funds" should be clarified by defining "funds" to refer to fiat currency or e-money. MAS should consider the scope of a blockchain payment

		system operator that provides software enabling its customers to transfer and receive digital assets (which are not fiat currency or e-money), and moreover, whereby the operator does not control the digital asset as an intermediary or custodian. **Question 28** • Respondent could reasonably foresee certain settlement institutions being systemically important, and therefore, reasonably could be included in the scope of Activity 6. However, MAS should consider whether all settlement institutions should require registration, licensure and/or supervision.
25	PayPal Pte. Ltd.	Requested for all comments to be kept confidential
26	Rajah & Tann Singapore LLP	**Question 1** • We welcome the MAS' consultation paper on Proposed Activity-based Payments Framework and Establishment of a National Payments Council (the "Consultation Paper") and the opportunity to provide our feedback thereon. • The Consultation Paper is timely. Our existing Payment Systems (Oversight) Act ("PS(O)A") and Money-changing and Remittance Businesses Act ("MCRBA") are no longer adequate, given new technologies, the trans-border nature of e-commerce, and the increasingly indistinct delineation between physical and electronic payment services. The incomplete regulatory coverage by the PS(O)A and the MCRBA, the overlap between the two Acts in some respects and the resulting uncertainty of application of those two Acts have often caused difficulties for new entrants or new hybrid product offerings. A PPF which more comprehensively covers the field of payment services, which more clearly delineates the scope of its application between different activities to be regulated, and which resolves the present difficulties with the PS(O)A and the MCRBA would be welcome. • The modularity offered by the different categories of regulated activities under the activity-based PPF will offer payment services providers with greater flexibility with their product offerings and allow for a more calibrated and commensurate regulation. Such modularity has worked well in the case of the capital markets services licensing regime under the Securities and Futures Act. However, we would also caution that the flexibility offered by PPF modularity could lead to greater segmentation of the payments ecosystem and increased number of segmented payment services providers which participate only in a limited portion of

		the payment value chain, and thus pose further challenges for AML/CFT due diligence, compliance and enforcement1. • At a conceptual level, we also make the following general observations: (1) the Consultation Paper makes pervasive use of the expression "payment", but does not expressly define the same. That expression is commonly understood in plain English as the giving of cash or monies to discharge what is due for services done, goods received or debts incurred etc. This is also the meaning presently contemplated in the PS(O)A. Distinctly, money transmission services are presently referred to in MCRBA without being linked to the discharge of any money obligation resulting from, for example, the sale of goods or provision of services. If Activity 3 is to include money transmission "without an underlying exchange of goods and services", then the continued use of the expression "payment" in the PPF should ideally be more clearly defined to extend beyond its plain English meaning; and (2) while it is contemplated that Activity 3 would cover the provision of money services in relation to virtual currency, it is not immediately apparent as to whether MAS intends for payment service providers dealing in non-fiat virtual currency to be similarly regulated under the other Activities under the PPF, or whether the regulation of payment services relating to virtual currency is only limited to Activity 3 under the proposed legislation. In which event, MAS may need to clarify whether such payment service providers would nevertheless attract certain business conduct requirements as unlicensed entities under the PPF (please see our responses to Question 8 and Question 9). • Apart from the general comments above, we have set out our observations and comments in the relevant responses below from MAS' consideration. **Question 2** • The proposal to subject banks to all applicable requirements under the PPF as non-banks in respect of the conduct of similar regulated activities could level the playing field for both banks and non-banks. That said, however, those requirements (even if made universally applicable to banks and non-banks) should not be so onerous as to pose insurmountable barriers to entry for new participants in the payments industry,

		and be counterproductive to MAS' efforts in promoting Fintech firms and growing the Fintech space. These concerns would be minimised if, as MAS indicated in paragraph 2.3, those requirements will be risk-based and calibrated to specific risks in the various payment activities. **Question 3** • Yes, all payment systems operating in Singapore which are sufficiently large or pose systemic or system-wide risk should be subject to designation and thereon subject to closer regulation. Nevertheless, the threshold for such designation may need to be calibrated and set separately for the different Activities. Please see our comments below on whether or not the PPF should extend to foreign payment systems. **Question 4** • We note in paragraph 2.6 of the Consultation Paper that MAS only intends for licensing to apply to locally established payment service providers. If the PPF is limited only to Singapore-based payment service providers, this would distort the playing field in favour of payment service providers based outside Singapore who may be unregulated or subject to lighter regulation. With e-commerce and e-payments becoming increasingly trans-border, the geographical location from which a provider may carry on its business and provide its payment services may not be an impediment to its ability to target Singapore persons. Limiting regulation only to domestic providers will encourage regulatory arbitrage and relocation to jurisdiction with lighter or no regulation, and inhibit indigenous development of the payment industry in Singapore. We would suggest that MAS considers if the PPF could have similar extra-territoriality as the Securities and Futures Act so that certain foreign payment service providers would be subject to Singapore regulation. • Whether or not a foreign payment service provider that provides services to Singapore persons should be required to establish a local presence may depend on the nature of its activities, the risks posed by its activities to Singapore persons, and whether or not effective regulation of a foreign payment service provider in Singapore is possible without establishment of a local presence.

		Question 7 • The proposed definition contemplates "an instrument that provides a user access to regulated funding sources for the purpose of initiating payments". This proposed definition of payment instruments is very wide. As MAS has correctly pointed out, it would include certain instruments such as credit cards and charge cards which are currently already regulated under the Banking Act, as well as cheques, which are governed by the Bills of Exchange Act. The potential overlap between the PPF-related legislation and those other legislation will need to be resolved. • Secondly, the proposed definition is also wide enough to contemplate devices, technologies and means which facilitate the user giving, and the provider receiving, instructions on the operation of the regulated funding source operated/maintained by the provider. We note that ATM cards, electronic wallets, internet banking portals and apps, cheques, cashiers' orders and money orders have been included within the proposed scope of "payment instruments". If other existing means of giving instructions to the providers of regulated funding sources (such as inter-bank giro and telephone-banking) are not also to be caught by the broad proposed definitions, more clarity in this regard should be included in the definition. • We further note that the proposed definition is only limited to regulated funding sources. More guidance would be welcomed as to whether the following would also be considered to be "regulated funding sources": (a) Cash deposits with other financial institutions not regulated under the Banking Act, e.g. merchant banks, finance companies, CMS licensees (brokers, fund managers, custodians); (b) Loan accounts; and (c) Cash held as required margin or as excess margin with CMS licensees. • As stated above, the definition of payment instruments only includes instruments that provide a user access to regulated funding sources. We note paragraph 2.13 states that cash and other anonymous instruments are unlikely to fall within the scope of Activity 1. Could MAS therefore confirm that payment instruments such as electronic wallets that store virtual currencies will not be caught under Activity 1? **Question 9** • It is unclear to us if the exclusion of cash and other anonymous instruments from the scope of payment

		instruments stems from regulating entities carrying out Activity 3 in respect of anonymous instruments like Bitcoin. We would like to clarify why MAS states at paragraph 2.13 that "However, regardless of the activity the entity conducts, any payment service provider that facilitates the acceptance or withdrawal of cash and other anonymous instruments may attract additional requirements to mitigate money-laundering and terrorism financing risks" as it is not clear what the basis of such regulation will be if cash and other anonymous instruments are excluded from regulation under Activity 1. **Question 10** • The nomenclature of this Activity appears to suggest that one must "acquire payment transactions" to fall within this Activity. Can the MAS provide more clarity as to whether this refers to mere "merchant acquisition" without involvement in the acceptance/process of payment instruments? • It is also unclear whether Activity 2 will cover acquisition of payment transactions involving non-fiat currencies (e.g. virtual currencies). Can MAS provide greater clarity? **Question 11** • Please provide clarification and guidance as to what sort of entities would be considered a "direct participant" of a payment system and, in the corollary, what entities would be considered "indirect participants". **Question 12** • MAS may want to consider whether the following business / activities are intended to be covered under Activity 2: (a) the business of factoring or receivables financing; (b) multilateral payment netting arrangements cleared through a central clearing counterparty; or (c) inter-group payment acquisition entities (for example, where a merchant sets up its own payment / collection agent for its related group entities to receive and make payments to third parties). • And, following from our response to Question 11 above, whether any of the above would constitute "indirect participants of payment systems".

		Question 13 • We also note that there are several issues arising from the proposal in relation to the regulation of money transmission and conversion services under Activity 3, we have addressed them in our responses below. **Question 14** • There may some conceptual difficulties in including the remittance business under the PPF. Remittance, or money transmission activities, are distinct from the concept of "payment", which would generally contemplate the passing of money made pursuant to a pre-existing consumer-merchant or debtor-creditor relationship. Remittance activities need not occur within such a limited scope, and as identified by the MAS, would not be dependent on an underlying exchange of goods or services. • Following from which, there is a conceptual rift between the term "payment" and remittance activities. To the extent that entities regulated under Activity 3 are to be referred to as "payment service providers" under the proposed PPF, there may be a need to consider whether the definition of "payment" needs to be included in the relevant legislation to clarify the foregoing use of the term "payment service providers" to entities undertaking Activity 3. Otherwise, MAS may consider introducing specific terminology for the purposes of Activity 3. • The above analysis equally applies to currency conversion. (Please see our response to Question 17 below) **Question 15** • There seems to be an inconsistency in paragraph 2.24, where MAS states that the scope of money transmission activities is regardless of whether the originator or beneficiary is in Singapore, but money transmission will include the facilitation of inbound and domestic payments. In this regard, could MAS clarify whether (a) money transmission services caught by Activity 3 will include payments taking place entirely outside Singapore (in that both beneficiary and originator are outside Singapore) and only the entity facilitating such payments is established in Singapore; or (b) only money transmission activities where either the beneficiary or originator is in Singapore would be regulated under Activity 3.

		• Separately, could MAS clarify whether the following would be considered as undertaking the regulated activity of money transmission services under Activity 3: (a) transmission of monies to a central netting party / clearing house of a net sum, where parties need not transmit the funds to the recipient (ie. multilateral netting); and (b) the collection of money from and the sending of money to the same party / legal entity. **Question 16** • There is some uncertainty in relation to the exact scope of the exclusion. Could MAS clarify whether the following would be excluded under Activity 3: (a) the acceptance of funds and transfer of value carried out to provide a service of paying overseas merchants for the originator's purchases of goods; and (b) entities providing employee payroll services (where such entities are providing money transmission services for payroll purposes, and where such employers or employees may be located in or outside Singapore). **Question 17** • We agree that the regulation of money-changing beyond the physical exchange of notes is a sensible approach in order to increase consumer protection. Can MAS provide greater clarity whether such regulation of money-changing business under the PPF would be limited to physical/non-physical money-changing and foreign exchange transactions on a spot basis or would it also extend to leveraged / non-margined foreign exchange trading generally? • We also seek MAS' clarification as to whether Activity 3 is intended to cover credit card companies (or such other payment services operators) that offer direct currency conversion as a value-added service. **Question 18** • We note that Activity 3 is the only regulated Activity under the proposal where MAS has explicitly included the regulation of transactions involving virtual currency. In this respect, could MAS please clarify if virtual currencies are only to be included under Activity 3? In the event that MAS only intends to limit the regulation of virtual currencies under Activity 3 of the PPF, then care should be taken to ensure that this is

		made clear in the resulting legislation that Activity 3 is distinct from the other regulated Activities in this respect. Alternatively, if MAS intends for such other regulated Activities to include the regulation of virtual currency payment service providers, then this must be clearly provided for and the definition of virtual currency should be considered in further detail to assess whether there will be any difficulties in the provision of such regulation. • We have noted that Bitcoin was given as an example of a virtual currency but the expression "virtual currency" is not otherwise defined. Can the MAS provide more clarity as to what this expression is intended to encompass? In particular, can the MAS confirm that the reference to "virtual currencies" is not intended to include digitized forms of legal tender or fiat currency? The discussions that follow below assume this to be the case. • If virtual currencies are to be included for Activity 3, there are a number of conceptual issues which will need closer consideration: (1) Would the concept of "payment" under the PPF need to be expanded? The expression "cash" or "money" is frequently used in Singapore legislation without definition. Used in the context of "payment", "cash" or "money" is generally understood to mean only legal tender or fiat currency. Virtual currencies (such as Bitcoin) are not generally regarded as legal tender nor fiat currency and as such, would generally be incapable of discharging a "payment" obligation unless the parties thereto agree otherwise to delivery of such virtual currencies in substitution of payment of legal tender. (2) Would there be a re-characterisation of the underlying transaction for goods? If the parties to a sale of goods transaction agree to "payment" in the form of virtual currencies for the goods sold, would this render the transaction a barter rather than a sale, given that virtual currencies are not generally considered to be legal tender or fiat currency? (3) Is the trading or exchange of a virtual currency for another virtual currency or for legal tender or fiat currency to be considered to be foreign exchange trading, leveraged foreign exchange trading or money-changing? • Could MAS clarify what is meant by "virtual currency intermediaries which buy, sell, or facilitate the exchange of virtual currencies" in para 2.25, and whether such intermediaries would include:

		(a) persons who buy or sell or exchange Bitcoin and other virtual currencies for their own proprietary account, whether for investment or speculative purposes; and (b) virtual currency exchanges which act for their own proprietary account as market-maker and central counterparty to investors of virtual currency, or whether the foregoing persons or entities fall within the description of excluded persons described in paragraph 2.26. **Question 20** • We would like to clarify whether Activity 4 will cover the following: (a) dedicated platforms or payment kiosks maintained by a merchant for its own goods and services; (b) an e-commerce marketplace which maintains a payment platform for the purposes of processing the payment instructions and authorisation of payment instruments for the goods or services sold / provided by the merchants listed on said e-commerce marketplace; or (c) internet banking portals or platforms (which may also fall within Activity 1). **Question 22** • We agree that manufacturers of payment terminals and software developers ought not to be regulated under the PPF. While it may be true that the foregoing entities will most likely be responsible in the setting up of the payment communication platforms, they are ultimately only involved in the initial stage of the operations, unless there is an agreement for them to be materially involved in the day to day operations of the payment systems. As these third party contractors would therefore not ordinarily be engaging in financial activity, it would not be necessary for the MAS to have supervisory powers over their operations. Any recourse against these entities should be by the payment operators themselves. By similar reasoning, Internet Service Providers (ISPs) and telecommunication companies merely serve as conduit for data transmission and therefore should not be deemed as operating a payment communication platform.

		Question 24 • We would like to clarify the purpose of Activity 5, which is proposed to cover services relating to the "consolidation of payment instrument information and access". Could MAS please clarify as to why the consolidation of payment information is to be regarded as a touchstone to attract licensing and regulatory oversight under the PPF? • If an app creator creates separate apps for the handling of individual payment instruments separately with the intention that all such apps may be used on the same device (e.g. a mobile phone), would this be considered "consolidation of payment instrument information and access"? Or must the app creator create a singular app for handling two or more individual payment instruments in order to be considered "consolidation of payment instrument information and access". • We would also like to seek clarification as to whether a mobile wallet that only aggregates bank accounts maintained and credit cards issued by the same bank would fall under the scope of Activity 5. **Question 25** • We support the move to regulate mobile wallets under the PPF. We note that more jurisdictions are considering regulation of mobile wallet, especially since such services are generally targeted at the ordinary consumer. Mobile wallets store sensitive financial information and provides a means of access to the funding source and therefore ought to be subject to some form of regulatory oversight, particularly due to the cyber security risks that may arise in relation to the use of such services. In addition to mobile wallets, we kindly seek MAS' clarification as to whether internet browsers that store user's payment card information would or ought to be regulated under the PPF. **Question 26** • As alluded to above, we would like to clarify whether Activity 6 will only cover payment system operators that only deal in fiat currency (and not other types of currency, such as virtual currencies). • We note that there may be potential for payment instrument aggregators that fall within Activity 5 to fall within Activity 6, as it is contemplated that such entities will engage in processing and / or switching of

		payment transactions. Could MAS kindly clarify whether this is intended or, otherwise, how it will differentiate Activity 5 and 6? **Question 33** • We agree that MAS should not regulate the above if it only contemplates a prepayment to the very merchant that is providing the specific products and services and that the stored value referred to above may only be used/redeemed with the same merchant. **Question 35** • We are of the view that the safeguards should cover non-Singapore residents to the extent that such SVFs are either offered to them in/from Singapore, acquired by them in Singapore, or are intended for usage in Singapore.
27	Red Dot Payment Pte Ltd	Requested for all comments to be kept confidential
28	RHTLaw Taylor Wessing LLP	**Question 1** • Respondents appreciate that MAS is proposing a single-licence model for the licensing, regulation and supervision of all payment service providers. The payments industry would benefit from a higher degree of regulatory oversight. This is in tandem with international standards such as the payment systems in the UK, which promotes effective competition, development and innovation in the payments sphere. • However, we would like to highlight that the seven proposed activities under the PPF entail varying nuances of risks. For instance, Network For Electronic Transfers (Singapore) Pte Ltd ("NETS") would have a higher exposure to systematic risks (e.g., public impact) as opposed to merchant aggregators or smaller stored value facility holders. • We would therefore suggest MAS apply a risk-based approach when issuing regulatory obligations on the seven activities, and consider whether having a single platform would impact its ability to apply regulatory oversight over activities with very different risk profiles • Another broad issue is whether MAS should in fact, regulated all of the 7 activities. Respondents at our Roundtable were concerned that the default approach is a blunt one – which is to regulate every player in the payment system, without a more considered approach on whether there are good grounds for regulation in the first instance (e.g. for safety and soundness, consumer protection issues). The general sentiment is

		that MAS is casting the regulatory driftnet very widely and that many players (who are now caught by the 7 proposed activities) have operated largely without any issue of major lapses or consumer-related issues. • We would therefore request for clarification on the underlying principles and the rationale for regulating the seven activities and for centralising such regulations. The seven regulated activities for payments have significantly widened the regulatory net. Platforms that were previously unregulated (Activities 1, 2, 4 and 5) will now be regulated and greatly impacted. • It would also be beneficial if MAS publishes clearer definitions of the seven activities and what it entails. This will help regulations keep pace more efficiently with the rapidly changing market dynamics in the global payments industry. • We recognize that security and trust are the fundamental cornerstones of a payment ecosystem and thus consumer protection is of utmost importance. Nevertheless, a single-licence approach could be onerous for new market entrants such as financial Technology ("Fintech") start-ups and it would stifle innovations in a long run. We respectfully request that MAS would profoundly consider the impact and barriers for payment service providers who are generally small medium enterprises ("SME") and start-ups. **Question 2** • While we note that a single modular framework will relieve providers from having to apply for multiple licences and enable the undertakings of several types of payment services, it could bring about an unequal level playing field. We note that banks are exempt from licensing from the PPF. We suggest that this be reconsidered as the risk for banks entering into payments are distinct from core banking activities. • The regulatory approach does provide a competitive advantage to banks. In fact, Fintech start-ups (with lesser resources) are inherently disadvantaged as they have lesser resources. There is correspondingly an uneven playing field. • We suggest that licensing issues be based on the activities that an entity seeks to perform, rather than on the basis that they are licensed as banks. • We further note that the proposal does not exempt other MAS-licensed entities (e.g. insurance companies, merchant banks, entities regulated under the Payment Systems (Oversight) Act, exchanges, markets, capital

		markets services licence holders, trust companies and financial advisers. It is unclear why banks are treated differently (and accorded different privileges) from these other entities. Against this, presents another measure of unequal playing field. **Question 3** • In furtherance to our comments above, we would like to reiterate that the seven activities are too broad and generic at this juncture. There is no clear demarcation on the scope of the proposed seven activities as there are significant overlaps in all activities. For instance, the issuance and maintenance of payment instruments of electronic wallets as described in Activity 1 would overlap with stored value facilities with electronic wallets under Activity 7. Apart from that, virtual currencies could also be utilised for activities such as acquiring payment transactions other than the provision of transmitting and converting monies under Activity 3. In this regard, the roles of virtual currency intermediaries are still vague under the PPF. • Therefore, we would request for clearer definitions for each activity (and the opportunity to comment on these in separate consultation exercises) and seek further clarification on how the regulations be operationalised throughout for the seven activities. **Question 4** • We are in favour of foreign payment service providers being regulated, as this would create greater transparency on all market participants in the payments industry. This would also create a level playing field between local and foreign entities that offer similar services. However, we would request that MAS set out detailed regulatory requirements governing the local and foreign payment service providers. For instance, there should be distinction between foreign payment services providers that solicit business from Singapore-residents as opposed to genuine cases of reverse enquiry. MAS may consider issuing Guidelines similar to that issued in relation to the extra-territorial clause under Section 339 of the Securities and Futures Act. **Question 7** • Apart from the above comments on the clarity of definitions for each activity, we also would like to seek

		further clarification on the proposed definition of payment instruments.
		• MAS defines in Section 2.11 of the CP that a payment instrument is an instrument that provides a user access to regulated funding sources for the purpose of initiating payments. Where funding sources include:
		  ○ Deposit and checking accounts regulated under the Banking Act;
		  ○ Credit facilities regulated under the Banking Act; and
		  ○ Stored value facilities ("SVFs") currently regulated under the Payment Systems (Oversight) Act ("PS(O)A"), and subject to clarification as part of this review of the payments regulatory framework.
		• Respondents stressed that a service provider holding a Single Purpose SVF whose only payment function is to allow customers to pay for goods purchased from the company itself, should not be compared to a bank that has the provision for bank deposit accounts, bank checking accounts and bank credit facilities.
		• We would request further deliberation if single purpose SVFs would fall within the ambit of the definition of payment instruments and be given similar regulatory treatment under the PPF. We respectfully encourage MAS to classify SVFs into different categories based on how the funds in each type of SVF can be used, and not require the licensing of single purpose SVFs which are merely a by-product of a company's existing business. A tiered-approach could also be used to determine which SVFs should, and should not, fall under the PPF.
		
		Question 9
		
		• Please also refer to our comments to Question 7. We would seek more clarity on the boundaries of this activity as it appears to be rather general at the moment for instance whether single purpose payment which is currently unregulated and exempted would be included in the PPF.
		
		Question 11
		
		• We would request for further clarification on the scope whether it will include service providers who keep credit from customers in its own bank account such as companies that are merely holding pre-paid funds or credit on behalf of customers.

		Question 13 • Please see our comments to Question 3 of the Consultation Paper. **Question 15** • Respondents feel that the proposed regulation casts its net too wide to include domestic and inbound money transmissions given the low volume of small transactions conducted by service providers within the island. This should more appropriately be governed under the payments regime. • We would request for clarification on the basis for inclusion of these activities under the PPF. **Question 18** • Please see our comments to Question 3 of the Consultation Paper. **Question 19** • Please see our comments to Questions 1 and 2 of the Consultation Paper. **Question 20** • Please see our comments to Question 3 of the Consultation Paper. **Question 21** • We would request for further clarification if service providers who provide and deal with non-fiat currency or crypto currency for the purpose of Activity 4 will be regulated under the proposed framework. • We would suggest that the more fundamental question is for a more considered analysis on whether any particular activity should be regulated in the first instance, rather than looking at "comprehensiveness" as a default. **Question 25** • Given that hardware or software providers are intermediaries who are not part of the transaction lifecycle between the account users and banks, we request for further clarification on how these providers will be regulated.

		• We respectfully submit that mobile wallets should be clearly defined. It should be noted that one of the main concerns is whether wallet services that do not store users' payment card information will be regulated as well. **Question 31** • Please also refer to our comments to Question 7 of the Consultation Paper. • As the definition of payment instruments and its scope are still vague, we would also request for clarification whether the current threshold limit for multi-purpose SVF scheme which stands at $30 million under the PS(O)A regulations would continue to be applicable under the PPF. • To limit the impact on business operations, we respectfully propose that the scope of SVF as delineated under the PS(O)A should be migrated to the PPF, bearing in mind that one-size fits all rule is not desirable. • Not all SVFs are alike, or as widely held as others. The scope of payment activities that should be subjected to regulation under the PPF should therefore not follow a one-size fits all rule. **Question 32** • We believe that the list of potential licensees is too far-reaching. It should be noted that a supplier of goods or services that operates an SVF for the single purpose of allowing customers to pre-pay for goods or services from only that supplier should not be regulated as long as customers cannot transfer funds from, or to, any third parties or from, and to, each other. A SVF offered for the pre-paying for goods or services to be purchased by a customer from the supplier holding the SVF is merely a by-product that enhances a company's existing business. • Given the above, we respectfully submit that the planned exclusions must be clearly clarified to include Single Purpose SVFs. **Question 33** • Respondents highlighted that if MAS were to license businesses encompassing the holding of funds on behalf of their customers, where customers have pre-paid for future purchases of goods or services, many Singaporean shop owners keeping a simple credit list would be subject to licensing.

		• We therefore agree that businesses that allow customers to pre-pay for specific products and services, that are of limited purpose in terms of usage or acceptance, or where stored value is a by-product from a merchant's enhancement of existing business processes, should not be regulated. **Question 35** • MAS defines in Section 2.46 of the CP that it is considering whether all SVFs will have to segregate customers' funds from operating accounts and safeguard customers' funds, via mechanisms such as full bank liability, insurance, bankers' guarantees, or trust accounts. • On the other hand, Banks are exempted from obtaining a separate licence to conduct payment activities. It must be noted that these two objectives are contradictory in nature and cannot go hand in hand. Banks are not required to segregate customer funds. Banks currently operate under a fractional reserve banking system with a total capital adequacy ratio of 10% in Singapore. Furthermore, Singapore's three largest banks have leverage ratios of 7-8% in terms of Tier 1 capital compared with their total exposures. • We would like to highlight that a 100% full reserve banking, in which entities would be required to keep the full amount of each deposit's funds in cash, ready for withdrawal on demand, is diametrically different from the current Singaporean banking regulations. A rule of 100% segregated reserves would severely discriminate against SVFs as compared to banks. One may view 100% reserve banking, or 100% asset-backing of customer funds', as a prudent and ethical way of conducting business, but the playing field is certainly not levelled by favouring banks with less stringent rules than those that apply to SME's and start-ups holding an SVF. • The Singapore Government is dedicated to making Singapore a precious metals trading hub. Customers of precious metals dealers in Singapore hold assets in physical precious metals so as to diversify portfolio risk, to insure against monetary system risks, and to safeguard their savings against inflation and the loss of purchasing power. It is important that MAS takes note within any regulation requiring safeguarding mechanisms, to allow SVF holders to hold assets, namely precious metals, and does not limit choice to banking controlled options. • All in all, we are of the opinion that SVFs would not always have the capacity and resources to fully

		segregate customers' funds given the scale of the business. This would therefore put SVFs at a disadvantage in comparison to banks that may readily have the capabilities to do so. Thus, we respectfully suggest that MAS should examine further if such mechanisms are readily available for SVF holders in niche sectors to acquire.
29	Ripple	**Question 1** • Ripple strongly supports MAS' intent to create a unified framework under the PPF. The framework would create a clear, cohesive, and comprehensive set of regulations for participants. Creating a single regulatory framework would ensure consistent treatment and protections across all payment types, especially for important issues such as consumer protections, money laundering, and terrorism financing. • Ripple strongly supports MAS' intent to require only one license from covered entities. Regulated activities may have overlapping requirements which result in redundant licensing obligations, possibly restraining what would otherwise be safe and responsible innovation. Ripple believes that requiring only one license and having licensees update their applications to reflect additional activities will increase the efficiency and effectiveness of Singapore's payments framework. • With the exception of points raised later in the letter, this proposal would reduce barriers to innovation while ensuring a safe, thoroughly regulated payments sector. **Question 4** • A clearly-defined definition of "payment service provider" is needed to limit unintended consequences. As MAS crafts detailed definitions and the scope of the PPF, we urge MAS to (1) define the types of entities considered "payment service providers" and (2) highlight the risks it seeks to mitigate through requiring providers to have a local presence. Requiring a local presence may be an appropriate way to address the risks posed by activities of some types of payment service providers. • Yet, it may not be appropriate or necessary to require some types of payment services providers – especially providers of underlying technology – to establish a local presence. This requirement may not be helpful in mitigating the risks posed by these activities, and could limit both innovation and the entry of new companies into Singapore.

		• Ripple does not interpret "payment services providers" to encompass providers of software and infrastructure. These companies are presently subject to technology and vendor management guidelines, which we feel is appropriate given their activities and risk. Yet, we cannot know for sure how PPF impacts technology providers until a definition of "payment services provider" is confirmed. While the graphic on page 7 of the Consultation Paper does list seven activities, other activities such as inter-bank messaging platforms are listed elsewhere in the paper and not represented on this graphic. Providing additional clarity in future drafts will remove uncertainty and ensure a properly tailored framework. • By defining the terms and the risks it seeks to mitigate, MAS can ensure requirements for establishing a local presence are applied to the firms that pose those specific risks. This approach ensures requirements are calibrated and targeted where necessary, without creating burden on unrelated companies. **Question 5** • Ripple believes that the activities encompassed under the PPF as currently drafted are comprehensive. However, Ripple is concerned that the covered activities may be overly inclusive. • Specifically, Ripple is concerned about the inclusion of inter-bank messaging platforms within the scope of Activity 4. We do not feel regulating a communication platform under a payments framework is the most effective way to mitigate the risks posed by these technologies. The risks posed by interbank messaging platforms differ from the risks of the other payment activity captured within the PPF. We feel technology and vendor management guidance is the preferred way to address the technology-specific risks posed by these platforms. Please see the response to Question 23 for a detailed explanation. **Question 18** • Ripple agrees that it is appropriate to include virtual currency intermediaries that present consumer risk under Activity 3. Over the last several years, consumers have adopted virtual currencies as a means of exchange and store of value. In response, many jurisdictions have sought to bring virtual currency intermediaries and exchanges within regulatory bounds in order to mitigate consumer and money

		laundering risk. We feel the inclusion of these activities within the PPF is appropriate and prudent. • To date, virtual currencies have been used by consumers in place of fiat, government-issued currencies. Yet, new use cases of virtual currencies are developing as financial institutions consider their potential. • Ripple features an optional digital asset/virtual currency called XRP. Instead of being used by consumers to replace fiat currency, XRP is designed to be used by financial institutions to source fiat currency for cross-border payments. In instances where a financial institution needs to send a payment to a currency or counterparty that it does not have an account (nostro account or existing liquidity relationship), XRP can be exchanged between the financial institutions to secure the fiat currency needed in the destination country. After this, the financial institutions make a fiat-to-fiat payment for their customer. It is important to note that the financial institution remains responsible for compliance with all payment-related regulations, including KYC and AML. • In this design XRP is used to secure fiat currency efficiently and quickly, not replace fiat currency as is seen in the use of other virtual currencies. XRP is only exchanged between the financial institutions; the customers' payments are not exposed to XRP. XRP is used to support the liquidity between fiat currencies, not eliminate their use. • While this use case is still developing, Ripple partnered with R3 CEV and twelve banks to explore XRP's use as a liquidity sourcing tool. The banks were specifically interested in using XRP to access and scale liquidity more efficiently, reducing the costs of cross-border payments. This use case demonstrates the willingness of financial institutions to utilize digital assets in enterprise use cases that pose little or no risk to consumers. • The risk in this use case is different from the risks that stem for consumers' use of virtual currencies. Noting this, it may not be appropriate to consider these two different use cases under the same regulatory framework. Ripple looks forward to discussing XRP in greater detail with MAS, and wanted to take this opportunity to note the emergence of new uses cases for virtual currencies. **Question 23** • Ripple believes technology service providers offering interbank payments messaging platforms should

		remain outside the scope of Activity 4. Such entities pose technology risks which are appropriately regulated under existing technology and vendor risk management guidelines. Generally, the providers of interbank messaging platforms do not pose money laundering or terrorist financing risks, the primary purpose behind MAS' consideration to include these services within PPF. • For instance, Ripple licenses its interbank messaging software to financial institutions. All payment information sent via Ripple's software is private and viewable only to the financial institutions that are part of the payment. Ripple (the company) neither receives nor is able to view the messages sent between financial institutions. This design limits data breach vulnerabilities and ensures protection of consumer data. • The financial institutions maintain the customer relationship, including providing a front-end service, authenticating customers, and holding their funds. As the provider of a payment service to customers, the financial institution is responsible for compliance with Know Your Customer rules, consumer protection requirements, anti-money laundering obligations, safety and soundness requirements, and all other relevant regulatory expectations. These activities and compliance requirements properly fall within the scope of the PPF. • However, Ripple (and other similar interbank messaging services) do not pose consumer protection, money laundering or other payment-specific risks. At no point does Ripple custody funds, obtain or retain consumer information, or establish a business relationship with any party beyond the financial institution. Therefore, including interbank messaging services within the scope of PPF would not enhance the oversight of money laundering or terrorist financing risk. • Technology service providers do present technology and cybersecurity risks, which we feel are best governed under existing guidelines. While interbank messaging services do not present payment-related risks, they do create technology and cybersecurity risks that should be mitigated. Technology and cybersecurity risks are inherently different from the payment-related risks discussed above. • We feel the risks posed by interbank messaging systems are best governed by MAS' Guidelines on Outsourcing and Technology Risk Management Guidelines. These frameworks address the risks and

		outline the duties of those providing technology, including interbank messaging systems. • Ripple urges MAS to treat separately the technology risk posed by messaging platforms from the consumer protection, terrorist financing, and money laundering risks posed by providers of payment services. • Regulating messaging platforms within PPF would hinder innovations aimed at reducing money laundering. Including messaging platforms within PPF would not improve the oversight of payment-related risks, yet would limit innovation and adoption of new services. • Technology companies, including Ripple, have developed new messaging capabilities that allow financial institutions to better detect and reduce risk. Today, cross-border messaging services are one-directional and provide limited payment information. Ripple has developed a next generation messaging capability that allows a two-way conversation between the financial institutions. Ripple's messaging service uses standard formats (ISO 20022) yet provides extensible fields to share additional contextual information about the payment. Financial institutions can use the two-way messaging capability and additional information to better identify and resolve compliance concerns, errors and failed payments. • New services like Ripple enable providers to more efficiently and accurately address fraud and money laundering risks. As discussed above, Ripple feels the technology risk inherent in its messaging service is best governed by the technology and vendor management guidelines. If the service was subjected to PPF – which we do not feel necessary or appropriate – it would place undue burden on technology companies, and hinder both innovation and adoption of new capabilities. • Ripple believes that because technology providers are already subject to both institutional and regulatory frameworks that ensure safety, soundness, and resilience, it is not necessary or appropriate to include them in the scope of Activity 4.
30	Singapore Post Ltd	**Question 1** • Singapore Post Limited ("SingPost") supports the regulation of "payment activities". • Once an activity has been identified as a "payment activity", any person wishing to engage in such activities should be licensed. • We propose that holders of such licences be corporations with at least one responsible officer ordinarily resident in Singapore.

		• In order not to burden the holder of a licence with undue paper work, we propose that once a licence is issued, it is good and valid for as long as the holder conducts the regulated activity until such time: (i) the holder ceases to carry on business in every type of payment activity to which the licence relates (and it is incumbent on the licensee to notify MAS and complete the necessary declarations); or (ii) MAS notifies the holder that its licence has been revoked. • We propose MAS publishes and updates its website, the list of licensees and the type of payment activity for which the licensee has been licensed for. **Question 2** • SingPost proposes that a distinction be made between a bank and a non-bank even with regard to the same payment activity. The distinction could be based on considerations such as money held at any time, the type of customers and the volume of transactions. We propose that MAS adopts a risk-based approach in this aspect. • As compliance costs have increased the burden of doing business, we would urge MAS to bear this in mind. **Question 4** • SingPost proposes that no distinction be made between local and foreign service providers. Besides imposing a capital requirement, foreign service providers at a minimum ensure that there is a resident individual who is designated a responsible person to oversee and be accountable for the actions undertaken. **Question 5** • SingPost proposes that the following payments be excluded from the PPF o Purchases of goods with payment via NETS and Credit Cards where the collection is solely for goods of the merchant eg. the purchase of postal goods such as stamp, first day covers o Collection on behalf for large organisations for bill payments of agency services for example, fines imposed by LTA, IRAS, CPF, Telcos and Singapore Power (for utilities) o Collection of deposits and withdrawals of monies by customers from their own account

		at licensed withdrawal points, other than ATMs eg. 7-Eleven stores, Post Offices. **Question 6** • SingPost seeks clarification whether the scope applies to transactions conducted in Singapore but the beneficiary is outside of Singapore. • Currently, foreign nationals living in Singapore are able to top up the prepaid mobile cards for persons outside of Singapore at any of SingPost's post offices island-wide to 11 countries. **Question 8** • SingPost supports this proposition. **Question 9** • SingPost is of the view that the approach of linking payment instruments to regulated funding sources is useful for identification and verification of customers in the tracking of anti-money laundering and terrorism financing activities. • Cash and other anonymous instruments to be excluded from the scope of payment instruments as there is no identifiable issuer that opens and maintains accounts for users. **Question 13** • SingPost is of the view that the inclusion of trading by virtual currencies with Money-Changing and Remittance Business is appropriate. The business of exchanging of currencies at rate of exchange is similar in nature as Money Services. **Question 14** • SingPost supports the proposition but adds that licensing regime should be differentiated based on the volume of cash held, the volume of transactions and the nature of customers. Entities that are not banks should not be subject to the same regime as banks. **Question 16** • SingPost supports this proposition.

		Question 20 • SingPost seeks clarification on whether the operation of e-kiosks where the collection of payments is solely for the provision of goods and services and/or regulated penalties imposed by identified corporations/regulatory bodies should be within the ambit of the PPF.
31	SingCash Pte Ltd ; Telecom Equipment Pte Ltd; Singtel Mobile Singapore Pte Ltd (Singtel)	**Question 1** General comment: • Singtel welcomes the MAS decision to review the regulatory and licensing framework for payment. As the MAS itself has pointed out, there are many components to the payment platform and it is therefore timely that a review of the applicable framework be taken. • Singtel notes, however, that the MAS consultation is still relatively high level at this stage. It is not clear, for example, what the regulatory and licensing obligations are for parties who wish to operate the specific activities. As such, a more meaningful discussion is only possible when the MAS provides a more detailed framework that covers the specific regulatory obligations that it intends for parties to assume when they operate the activities. • Furthermore, Singtel is concerned as to how the new regulatory and licensing framework may affect the development of various markets that are still in a gestation stage. To encourage innovation, Singtel feels that the new framework should offer clarity and yet allow for a light-touch approach towards regulating the various sectors in the payment industry, e.g. in areas like stored value facilities, payment systems etc. • Singtel also feels that sectors that are already subject to sectoral regulation, eg telecommunications, should not be subject to further regulation in the proposed framework. **Question 2** • Singtel agrees with the proposal that whilst banks may not require a licence under the proposed payment framework, similar obligations and requirements should be imposed on banks who operate activities outlined in the MAS proposal, whether by way of inclusion in their individual licences and /or some other way. • Singtel agrees that where every party that offers a service is treated largely similarly will provide for consistency; however, Singtel also notes that for the

		Fintech market to develop, it is important for MAS to keep in mind that smaller and newer companies / set-ups need support in the form of a lighter touch framework given their lack of infrastructure and scale. • For example, the need for newer companies/set-ups to take on licences for specific types of activities that clearly are meant to meet demand for e-commerce using technology may stifle their growth. We cite as example, the need for a player who wishes to allow for payments for goods and services rendered overseas to be a remittance licensee. • We point out as an example, that in the telecommunications market, the regulator has differing frameworks for larger facilities-based operators which have large infrastructure and service offerings (with differences in quality regulation, licence fees and level of obligations) as compared to resellers (services-based operators). We believe the MAS can establish a similar differentiating framework. **Question 3** • Singtel notes that currently, only payment systems that are large and /or pose systemic or system wide risks are designated as payment systems (under the Payment Services (Oversight) Act) / (PS(O)A). Singtel supports the proposal to continue with this approach. • However, Singtel notes that the criteria by which the MAS designates a payment system could be made clearer, e.g. if MAS intends to designate systems of a specific size, then it could identify how it measures the size and /or risk before the system becomes subject to designation. This provides more transparency to the market and avoids situations where the service providers have to consistently check with the MAS. • Furthermore, it is also not clear from the proposal regarding Activity 6 whether MAS intends that non-designated payment system providers also need to be licensed. This would constitute additional regulations for parties and in fact, Singtel notes there may be practical difficulties given that some of these providers may not even be headquartered in Singapore. **Question 4** • Singtel believes that it will benefit the industry if foreign payment service providers that provide services to Singapore residents are equally regulated under the proposed framework; these include global wallets like Apple Pay, Samsung Pay, Android Pay etc.

		• That said, as we have mentioned above, it is not clear to Singtel how MAS intends to enforce this. As such, the MAS may wish to consult again on the proposed framework for foreign service providers. **Question 5** • Singtel notes the proposed activities are fairly exhaustive. However, there is still a lack of information and clarity on the regulatory and licensing obligations for parties who wish to operate the specific activities. Singtel asks that MAS carries out another consultation on the proposed licensing and regulatory obligations that may apply to parties who wish to offer services. **Question 6** • MAS has identified payment instruments as deposit and checking accounts, credit facilities and SVFs regulated under the PS(O)A. • It is not clear whether there is any merit in separating the regulation of payment instruments from activities like the running of a Stored Value Facility which was separately identified in Activity 7. • Singtel agrees with the MAS proposal that instruments not linked to a regulated funding source such as reward points/cards, top up cards, paper based vouchers should not be considered for regulation under the proposed framework. **Question 7** • Again, in relation to SVFs, it is not clear to us why MAS has decided that the offer of a SVF would fall under both Activities 1 and 7. No specific details have been given to identify the different obligations and conditions that would apply in relation to Activity 1 and 7. **Question 8** • Whilst the query relates to the portals operated by banks, we note that portals operated by financial institutions could serve a variety of purposes, including providing information, responding to queries or in fact be a portal to link to other information. Portals that serve these functions should not be regarded as payment instruments.

		Question 10 • Singtel agrees with the proposed framework for payment transactions in that it applies to merchant acquirers, banks, three-party scheme operators, merchant aggregators and master merchants etc. **Question 11** • Singtel agrees with this approach. **Question 12** • Singtel enquires whether MAS intends for Activity 2 to apply strictly to payment for goods and services. **Question 13** • Singtel notes that Activity 3 will capture the activities that are currently regulated by MAS under the Money Changing and Remittance Business Act (MCRBA) and thus has no specific issues. • Specifically, Singtel notes that MAS has stated it does not intend to cover payments purely for goods and services; by this, Singtel assumes that MAS does not intend to cover the activity of money transmission to persons overseas where it is clear that the payment is solely for the purpose of goods and services. Singtel welcomes this proposal as the current framework is restrictive in that it requires parties who simply wish to enable payments for goods and services overseas to remittance licensees. Singtel feels that the current approach is not necessary and in fact limits the market potential. It currently restricts parties who wish to offer payment services for goods and services to those who are licensed money remitters. • Singtel also notes that the transmission of money domestically have been traditionally left out of scope of the MCRBA and MAS should continue to leave these out of scope of Activity 3. **Question 14** • See response to Q13 above. **Question 15** • See response to Q13 above.

		Question 16 • See response to Q13 above. **Question 20** • Singtel notes that in Activity 4, MAS intends to regulate and licence payment platform operators. It is not clear to us whether there is any overlap with Activity 6; in any case, the comments here would also apply to Activity 6. • Singtel has to assume that in Activity 4, MAS envisages that a platform is operated for a payment service that is listed in either Activity 1 or 3. Under such circumstances, it appears from the definition that payment platform operators who are offering services to banks and money remitters would in fact be caught under this framework. • Whilst Singtel notes that MAS' concern is to mitigate money laundering and terrorism financing as well as cyber security risks, given that many of such parties are not incorporated and /or headquartered in Singapore, it is not clear to Singtel how MAS intends for them to be licensed and /or regulated. • Nonetheless, Singtel welcomes the MAS proposal to regulate such parties so as to provide the entire payment eco system some level of assurance against money laundering and associated risks. **Question 21** • See response to Q20 above. **Question 22** • Singtel is concerned that such additional regulations may result in added costs to such parties and become a barrier to entry to such parties. Singtel asks that MAS calibrates the regulation applicable to ensure that these parties do not choose to exit or avoid the Singapore market. **Question 23** • See response to Q20 above. **Question 24** • MAS is considering whether providers of wallet services such as mobile wallets, which store users' payment card information, should be regulated under

		this activity. Given that stored value facilities are another form of mobile wallets, it is also not clear the difference between this and Activity 7. We seek clarification as to whether the mobile wallet envisaged by MAS will or will not contain funds or value or merely functions as an account to be managed by the operator or financial institution. • We have in the preceding section(s) also indicated that foreign service providers like Apple Pay, Samsung Pay etc. should be subject to equivalent regulation when targeting Singaporeans. Hence whilst it is not clear to us that such parties hold funds (in which case they should be subject to obligations envisaged for Activity 7), they equally store payment information and should be regulated under Activity 5. **Question 25** • See response to Q24 above. **Question 26** • Singtel notes that currently, only payment systems that are large and /or pose systemic or system wide risks are designated as payment systems (under the Payment Services (Oversight) Act). Singtel supports the proposal to continue with this approach. • However, Singtel notes that the criteria by which MAS designates a payment system could be made clearer, e.g. if MAS intends to designate systems of a specific size, then it could identify how it measures the size and /or risk before the system becomes subject to designation. This provides more transparency to the market and avoids situations where the service providers have to consistently check with MAS. • Furthermore, it is also not clear from the proposal regarding Activity 6 whether MAS intends that non-designated payment system providers also need to be licensed. This would constitute additional regulations for parties and in fact, Singtel notes there may be practical difficulties given that some of these providers may not even be headquartered in Singapore. **Question 28** • See response to Q20 above. **Question 29** • Singtel agrees with this approach.

		Question 30 • See response to Q20 above. **Question 31** • Please refer to our responses to Q6 and Q7. • It is not clear to us whether there is any merit in separating the regulation of payment instruments from activities like the running of a Stored Value Facility which was separately identified in Activity 7. **Question 32** • We refer MAS to our comments in Q33 below. **Question 33** • First, Singtel recommends that MAS does not include SVFs which are essentially prepayments for specific services and products like telecommunication services. In this regard, Singtel emphasises that the prepayments by telecommunication customers to their providers are not necessarily just for prepaid airtime but essentially goods and services that are offered by their telecommunication providers. As such, the exclusion should cover all prepayments to the telecommunication service providers for their goods and services. • Under the current framework set out in the PS(O)A, such prepayments are considered single purpose SVFs and they are essentially payments for services that already fall under sectoral regulation, i.e. prepaid telecommunication services like IDD services, mobile services, payphone services and /or any other goods and services offered by the telecommunication service providers. • Any AML/CFT concerns that MAS may have do not relate to, or are not relevant to, the prepayments for telecommunication services for the following reasons: (i) Telecommunication service providers are already regulated by the Info-communications Media Development Authority of Singapore (IMDA), i.e. they are already subject to sectoral regulation, which is further elaborated below; (ii) telecommunication service providers today comply with strict requirements relating to quality, service resiliency, outage reporting, consumer standards etc. All telecommunication service providers are required to comply with the requirements set-out in the

		Telecom Competition Code including mandatory contractual requirements with their end-users; and (iii) any prepayment is for the purpose of goods and services provided by or through the licensee; there is little AML/CFT risk involved. • It is therefore more appropriate for MAS to carve out telecommunication prepayments from the proposed payment framework. • Second, Singtel notes that the exclusion of single purpose SVFs from obligations set out in the PS(O)A should continue. MAS had clearly excluded these for good reasons, particularly as these are meant to be pre-payments for goods and services offered by or through the holder themselves. As such, it is not advisable to now consider regulating them in a more restrictive manner when there has been no failure in this market sector thus far. • Third, Singtel believes that MAS could consider a situation where the threshold and/or conditions for where a multi-purpose float could render the float a Widely-Accepted SVF (WASVF) should be reconsidered. • In the case of the prepayments to the telecommunication service providers, the customers generally would wish to use these also as a convenient means to engage in e-commerce activities. This would reduce the number of SVFs or wallets that a consumer would need to have. • These prepayments, if they are used for purchases of goods and services offered by other parties instead of the holder of float, would largely become WASVFs under the current PS(O)A. • However, the current threshold for when an SVF becomes a WASVF was set up several years ago and has not yet been reviewed. With the prevalence of Fintech and the demand for convenient financial instruments, it is timely to review an adjustment of the threshold upwards so that consumers who have made pre-payments to telecommunication providers can also enjoy the use of such prepayments for goods and services apart from telecommunication services. • Alternatively, MAS could consider situations where certain categories of service providers who are already subject to sectoral regulation are automatically exempted from the requirements to seek approval for the WASVF, e.g. telecommunication service providers. **Question 35** • Singtel notes that MAS' current framework under the PS(O)A already provides some form of protection in terms of the safeguarding of float.

		• For single purpose SVFs, e.g. prepayments of telecommunication services, there are already sectoral regulations in place to ensure consumer protection. Singtel refers MAS to the Telecom Competition Code that outlines the consumer protection mechanisms etc. We believe that no additional conditions, including imposing needs to safeguard floats, should be imposed. • In the case of multi-purpose SVFs, there are existing obligations that accord consumer protections, e.g. consumer advisories are set out to ensure that consumers are aware of the risks involved. Only when a float exceeds a specific threshold is there a need for the holder to undertake certain measures, e.g. segregating the funds from working capital funds, placing the value in a bank account in trust for end-users etc. • Singtel believes the framework is still largely relevant but also refers MAS to our comments to Q33 for our views.
32	StarHub Mobile Pte Ltd (StarHub)	**Question 1** • StarHub is keen to see the payments market in Singapore flourish. We are encouraged by MAS' stated goal of promoting electronic payments in Singapore. This goal must be reflected in MAS' review, which should aim to: (a) remove regulations where it is no longer required; and (b) seek to encourage more innovation in payment services, to the benefit of consumers. • We believe that some of the current regulation in the Singapore market may have had the unanticipated effect of reducing innovation and choice in the Singapore payments market. • StarHub agrees that certain safeguards are needed in the market to instil consumer confidence in payment services, and protect against risks such as money laundering and terrorism financing. However, a calibrated approach is necessary in order to prevent over-regulation, which stifles the market and reduces product and service innovation. Requiring existing payments service providers to comply with additional regulatory obligations would also increase the costs of providing services in Singapore, which would ultimately translate to a reduction in choice, and higher costs for consumers in general. • StarHub's detailed comments are set-out below. We also note that MAS' consultation is scoped at a very high level, and MAS intends to consult on specific regulations at a later date. StarHub appreciates the

		further opportunity to provide its comments on the matter. **Question 3** • We submit that there needs to be some differentiation in the regulations applied to the various payment systems in Singapore. For example, today MAS adopts a relatively light-touch approach to the regulation of single-purpose stored value facilities ("SPSVF"). We believe that such an approach should continue under MAS' new regime. We note that MAS is considering removing regulation for stored value facilities ("SVF") that allow customers to pre-pay for specific products and services (such as prepaid telecom airtime). We fully support such a proposal. • We would also encourage MAS to relook the rules in relation to multi-purpose stored value facilities ("MPSVF"), to reduce regulation that is no longer needed. This will promote competitive entry into the market, and provide consumers with greater choice. • An additional point is whether different licence fees will be payable depending on the types of activities undertaken. Today, providers of SVF do not pay any licence fees to MAS. We believe that this should be the practice going forward, to avoid unnecessary business costs being imposed. **Question 4** • We believe that foreign payment service providers should be required to establish a local presence, and be subject to the same regulation as operators in Singapore. If MAS regulations are not applied to foreign payment service providers, this could encourage companies (even existing companies) to site their payments operations offshore, in order to circumvent local rules. This would disadvantage Singaporean users, and discourage growth and innovation of companies based in Singapore. • Mandating that foreign payment service providers establish a local presence will: (a) make it easier for MAS to enforce its regulations against the various entities; and (b) help to ensure that a "level-playing field" exists between locally-based and international-based payment service providers.

		Question 5 • StarHub believes that the proposed activities comprehensively cover the payments services market as we know it today. • However, we note that there is an overlap in the definitions used, which would result in certain types of payments services falling within multiple categories. For example, a SVF could be classified as both Activities 1 and 7. It is not clear whether MAS' intention is to subject certain payment services to multiple sets of regulatory requirements (and potentially multiple sets of licence fees). We are concerned that this would result in excessive regulation being imposed on certain groups of service providers in the market. • We look forward to MAS providing clarity on this point, and further information on the specific regulatory requirements that would apply for each set of the proposed activities. **Question 6** • As highlighted above, we would encourage MAS to maintain the current set of regulations for SPSVF. These rules have served the market well, and we have not observed any adverse impact to consumers. We would also encourage MAS to review its current rules for MPSVF, removing regulations where they are no longer necessary. **Question 7** • The definition of payment instruments appears to be very broad, and specifically includes SVF currently regulated under the PS(O)A. As noted above, this could result in multiple sets of rules being applied to a single payments service. This would be unnecessarily onerous and increase regulatory compliance costs. We strongly submit that MAS should set these definitions to avoid capturing single activities (such as the provision of SVF) under multiple categories. **Question 9** • The definition of payment instruments appears to be very broad, and includes SVF (which are already covered under Activity 7). As commented above, it is unclear if MAS' intention is to categorise certain payments services in multiple categories, and have them subject to multiple sets of rules. We believe that this would be unnecessarily onerous.

		• We would also seek clarity on MAS' comments that anonymous instruments exclude virtual currencies such as Bitcoin. Given the concerns over the use of Bitcoin as a virtual currency, we would encourage MAS to review whether further regulations need to be imposed on the usage of Bitcoin in Singapore. If MAS is keen to regulate payment service providers (to combat crime and money-laundering), it is unclear why currencies such as Bitcoin should then be exempted from those regulations. **Question 11** • StarHub proposes that Activity 2 should only be restricted to direct participants. **Question 12** • We note that MAS intends to consult on the specific definition of payment acquisition at a later round of public consultation. This definition is important in determining whether there could be any non-payment businesses that may be inadvertently regulated under the scope of Activity 2. **Question 16** • StarHub agrees with this proposal. We would also suggest that MAS consider relieving regulatory obligations imposed on MPSVF that only allow payments purely for goods and services, given the lowered risk of such transactions. **Question 20** • StarHub is concerned about any new regulatory requirements imposed on providers of Activity 4, in particular, new requirements imposed on payments communications platforms which relate to the sale and top-up of SVF. • StarHub is unaware of any adverse consumer feedback on such payments communications platforms, and any additional regulatory requirements could unnecessarily increase costs for the providers of such platforms (which would in-turn be passed-on to existing customers). We strongly submit that regulatory obligations should only be imposed where there is a clear market failure or a serious risk that endangers Singapore financial stability. As SVF do not fall within either category, we can see no reasons to impose new

		regulatory requirements imposed on providers of Activity 4. **Question 22** • StarHub is concerned with the imposition of additional regulatory requirements on such manufacturers and developers. This would increase their costs, which would end-up being passed-on to their customers (i.e., payments service providers), and ultimately to consumers in Singapore. **Question 24** • StarHub submits that mobile wallet services should be excluded from the scope of Activity 5. There is no clear case for setting additional regulatory obligations on this service. In fact, the provision of such services is nascent in Singapore, and any additional regulatory requirements could significantly deter innovation and stifle the introduction of such services. **Question 25** • Please see our comments to Question 24 above. We would also note that mobile wallets may not necessarily store users' payment card information. In many cases, a tokenisation technology is utilised. Tokenisation creates a significantly more secure environment, and reduces the risks inherent in using the mobile wallet. **Question 26** • StarHub would appreciate if MAS could provide more examples on the types of providers which could be classified under the scope of Activity 6. This would provide greater clarity to the industry on the matter. **Question 29** • StarHub agrees with MAS' proposed approach not to regulate intra-bank payment systems and internal corporate payment systems. **Question 30** • We would appreciate if MAS could provide more details on the types of providers which could be classified under "operators of international interbank payment and messaging systems under Activity 6".

		Question 31 • StarHub would be concerned with any proposal to impose more regulatory obligations on providers of SVF in Singapore. We believe that the current regime for SPSVF has worked well, and has not resulted in any adverse impact on consumers in Singapore. • We would also suggest reducing the regulatory obligations imposed on MPSVF, to promote innovation in this market, and provide consumers with greater choice. **Question 32** • We note that a critical issue is MAS' clarification on the scope of what is meant by 'stored value'. We would be happy to provide more comments on this, once MAS' clarification is issued. • We would also agree with MAS' proposal not to regulate SVFs that allow customers to pre-pay for specific products and services (such as telecom airtime). Given the limited reach of such services, addition regulation is unnecessary. Furthermore, the providers of prepaid telecom airtime are already heavily-regulated by the telecoms industry regulator (the Infocomm Media Development Authority of Singapore). • As a suggestion, we believe that MAS should also provide a distinction between: (1) peer-to-peer electronic wallets; and (2) mobile wallets that store tokenised card details. Mobile wallets that stored tokenised card details provide a more secure transacting environment, and should be subject to less stringent regulations. **Question 33** • StarHub fully agrees with this proposal, and note that this is in-line with international best practice. As MAS has correctly noted, services such as prepaid telecom services are of limited usage and acceptance, and should be exempted from regulations. In addition, as noted above, prepaid telecom services are already subject to sector regulator oversight. **Question 34** • As noted above, StarHub agrees that SVFs that allow customers to pre-pay for specific products and services should not be covered under Activity 7.

		Question 35 • StarHub has grave concerns over this proposal. There is no identified risk to justify this proposal, and imposing such an onerous obligation would result in all SVF providers having to incur excessive operating costs in order to provide services in Singapore. We are not aware of any international best practice which recommends such a method to safeguard customers' funds. We therefore strongly disagree with this proposal.
33	TransferWise	**Question 1** • We support the move towards an activity-based model of regulation. We believe this affords MAS the opportunity to better tailor requirements to the various business models operating in this sector. For example, cash-based remitters present a higher risk than bank-bank remitters, and the AML requirements should be tailored accordingly. Overall, we urge MAS to take an outcomes based approach, that puts the onus on firms to determine their own compliance model that is appropriate to the business. A focus on outcomes, rather than prescriptive rules, should ultimately lead to more effective regulation and ensure that as technology changes the nature of risks, firms are able to adapt their compliance framework to appropriately manage those risks. **Question 2** • To ensure a true level-playing field between banks and non-banks, ultimately non-banks must be able to achieve direct access to the national payment infrastructure. This should form part of the reformed regulatory regime in Singapore – the ability for licensed payment firms who meet certain criteria to plug directly into FAST and other relevant payment systems. • Until this is achieved, non-banks will always be competing with suppliers, an unhealthy dynamic that leads to outcomes such as e.g. excessively priced services, inability to shop around, de-risking, stifling of innovative business models (bank has the ability to veto as supplier), and sharing of sensitive information with a competitor. • Overall, the introduction of PPF could be a welcome step in this direction, but unless the PPF includes provisions for improved direct access to payment systems, the playing field will remain biased towards banks.

		Question 4 • We believe that it is possible to effectively run an online payments business across jurisdictions. Therefore, a local presence should not be considered a pre-condition. **Question 6** • MAS should work with card schemes to ensure that in future, firms with permissions to carry out Activity 1, also have the ability within the card schemes' rules to become direct members, thus permitting them to issue cards. **Question 13** • Existing remittance licensees should be 'grandfathered' into this new framework, to avoid the cost of requiring additional licensing. If existing licensees wish to add additional Activities to their licence, some priority in the "queue" should be given. Alternatively, the licensing regime should be sufficiently resourced to avoid excessive delays. A target timeframe should be published by MAS for applications of all types under the new framework and statistics published regarding MAS' performance against the targets. This will reduce the barriers to entry, therefore promoting competition and ultimately leading to better outcomes for consumers. **Question 14** • We believe that, if the new framework is outcomes-focussed, this is a chance to modernise existing remittance legislation and promote more innovative, consumer-friendly solutions. **Question 31** • Where firms have similar licences in other jurisdictions (e.g. an Electronic Money Institution in the UK), this should be taken into consideration in licensing decisions under Activity 7. Some form of fast-tracking would encourage innovation in this area, ultimately leading to better quality and lower cost products for Singaporean consumers.

		Question 35 • We believe that placing reliance on mechanisms such as a 'bank guarantee' will introduce unnecessary cost for licensees, and a reliance on banks to ensure compliance (potential competitors). A more practical solution would be to enable safeguarding to take place directly in a settlement account with MAS. Alternatively, that firms simply commit to segregating client funds, and MAS supervises against this requirement. Ensuring funds are segregated should ensure that even in the event of a default, customer funds could be easily identified and returned. • Insofar as residents vs non-residents is concerned, MAS should take care to avoid introducing 'double safeguarding' requirements. MAS should consider safeguarding rules as implemented in other jurisdictions and recognise that safeguarded funds in an equivalent jurisdiction (e.g. UK or Australia) should be deemed to satisfy Singaporean safeguarding rules.
34	UnionPay International (UPI)	Requested for all comments to be kept confidential
35	United Overseas Bank Ltd	**Question 1** • In general agreement with MAS' proposed approach for an activity-based framework as the payment landscape has evolved together with technological advancements. With the rise of Fintech, a framework is needed to protect consumer interests as well as to safeguard the soundness of the payment systems. • With technological advancements and the advent of Fintech: o Lines between various payment systems, SVFs and remittances are blurring rapidly; o Payments ecosystem has become more complex and integrated; o Addressing New risks – fraud, data privacy, data theft, cyber risks etc. is needed • Considering the above, activity based framework that covers existing and emerging players will now give MAS control and flexibility in regulating and supervising the payments ecosystem. This will also extend the oversight to all players including non-FI(s) who offers remittance and payment services. **Question 2** • Note that banks will be exempt from need to have separate license for payments services as this is the core service of banks provide to customers.

		• We welcome that there should be a level playing field and regulations between banks and non-banks to safeguard payment systems and end-users/consumers. It will ensure risks and national interests are protected; whilst encouraging technology innovation. • This approach should extend the regulatory oversight to all players including non-FI(s) who offers remittance and payment services. **Question 3** • Clarification on how PPF will be applied in the payments regime: Para 1.14(a) advised that PPF will complement the existing supervision of DPS under the PS(O)A. However, Para 2.3 advised that PPF will supersede the PS(O)A. • Based on assumption that the existing designation regime is referring to both Payment Systems (Oversight) Act ("PS(O)A") and Money-Changing and Remittance Businesses Act ("MCRBA"): The existing designation regime should be extended to apply to all payment service providers to ensure a consistency across the industry. • In addition to the issues illustrated in Para 2.3, the following are other areas for non- bank/ financial institution payment service providers to be regulated. Data secrecy protection • The data secrecy related requirements imposed on financial institutions in Singapore should be extended to all non-bank/ financial institution payment service providers not subjected to similar data secrecy protection requirements (e.g. Banking Secrecy under the Banking Act) to ensure the same safeguards that users are offered through the various financial institutions in Singapore are not lost with non-bank/ financial institution payment service providers. The need for a quasi-Basel requirement to be imposed • For SVF, Banks in Singapore are either required to comply with the Basel requirements or maintain with the MAS a security of certain value to manage settlement risks. MAS should correspondingly apply to the non-bank payment service providers given that they would be engaging in the same activities and likely to be susceptible to the same or perhaps more severe risks.

		Question 4 • To protect end users, banking and national interests, MAS' oversight on foreign payment service providers is necessary. This will ensure consistency and regulations to promote a level playing field within our local payment ecosystem. • In this regard, foreign payment service providers should be required to establish a local presence. The essence of the need to establish a local presence should be to assist the regulatory oversight of foreign payment service providers. If a local presence is not required, how would MAS regulate these foreign service providers without a local presence, to safeguard Singapore consumers' interest? **Question 5** • The 7 activities listed may require clarity in definition; and perhaps principles of what kinds of services would constitute regulations to each of the activity to be regulated. • The clarity in the proposed activities and principles will allow its application in the ecosystem, even as technology changes. At the same time, would allow existing players to review their activities. • MAS need to cater for possible expansion of activities when the payments ecosystem and technology advances in the future. MAS should also take into consideration the extensiveness of compliance required, based on each activity's risks level. **Question 6** • MAS may want to consider if Singapore will allow post-paid billing accounts (e.g. mobile bill) as one of the payment instruments. Post-paid billing accounts are technically not considered as a funding source for customer's payment. However, in the payment industries there are payment service providers that are tapping onto this post-paid billing account as one of the source to facilitate payment of goods and services. For example, payment service provider such as boku.com uses the customer's post-paid mobile bill as a payment instrument to facilitate payments. Another example is "Spotify" where they bill the monthly subscription fee under the mobile phone bill. Likewise, SVF and e-wallets should be considered as regulated funding sources. • MAS should also consider including digital currencies in the proposed scope for Activity 1. Payment portals,

		internet banking and apps are “online channels” much like “physical branches”; and are not payment instruments per se. **Question 7** • Under PPF, MAS has categorised internet banking portals and apps as payment instruments under “payment account”. Since Activity 1 is focusing on payment instruments, would it be more appropriate to regulate and supervise internet banking portals and apps under Activity 4 as these are channels to facilitate customers’ instructions, and not payment instruments. • Agree that instruments such as rewards/points cards, closed loop paper-based vouchers, are not to be considered as payment instruments under Activity 1. **Question 8** • Yes, if based on the proposed payment instruments. **Question 9** • If regulated funding sources means depository and credit facilities held by banks; we are supportive of the approach to link payment instruments to regulated funding sources. However, MAS should consider including post-paid billing accounts as these function as payment instruments funded by credit facilities; and including SVF. • If the additional requirements to be imposed on all payment service providers, that facilitate acceptance or withdrawal of cash and other anonymous instruments, are adequate to mitigate money-laundering and terrorism financing, we do not think that excluding cash and other anonymous instruments from the scope of payment instruments will introduce additional risk. We would need more information on the additional requirements mentioned in Para 2.13 before we can comment further. • MAS should also consider digital currencies within the scope of payment instruments. While cash is considered excluded from the scope of payment instruments, MAS should consider the regulation of activities where cash can be accepted by physical channels to fund payment instruments.

		Question 10 • We assume that Activity 2 is also extended to companies who acquire but do not process payment transactions? Such as Apple Pay? • The scope of Activity 2 should cover all companies that seek to acquire merchants to accept transactions using their payment instruments. **Question 11** • We seek clarity on definition of direct and non-direct participants. • As above, the scope of Activity 2 should cover all companies that seek to acquire merchants to accept transactions using their payment instruments. **Question 12** • There could be non-payment business that may inadvertently be regulated under the scope and hence MAS should clearly define non-payment businesses that should be regulated under PPF; as also clarity need for Q11. • eMarketplace operators, eCommerce platform, payment consolidators and providers acting as Master merchants need to be regulated to ensure the entire transaction processing are localised and proper trusted accounts are created to safeguard consumer interest via regulated banks. • MAS may need to consider the impacts on non-payment business such as crowdfunding business. For example, a crowdfunding business which is offering a platform to promote the ultimate beneficiary's ideas, collecting funds from the public, lifting fees (for their service provided) and transmitting the funds to the ultimate beneficiary. The crowdfunding business did not acquire any payment transaction. However, it added an additional layer in the payment flow which increased the challenges for parties processing the payment to do a thorough screening on the flow of funds. **Question 13** • The proposed scope is comprehensive as it covers remittance and currency exchange, both online and bricks-and-mortar including virtual currency intermediaries. However, there are some overlaps between Activity 2 and Activity 3 i.e. acquiring and/or processing payments transaction.

		Question 14 • We agree that remittance businesses should be included under PPF. The PPF should be a framework which that covers all types of payments. **Question 15** • We are for consistent regulation and supervision on all payments activities. **Question 16** • We are supportive as the nature of payments for goods and services differs from remittances. However, MAS should ensure that any exclusions are clearly stated. **Question 17** • Peer-to-Peer money changing business is fast growing in the Fintech industry. So if PPF is using a risk and activity based approach to regulate and supervise the payment space, there is a need to include money-changing businesses (including online money- changing businesses) under this framework. **Question 18** • It is crucial to include virtual currency intermediaries in PPF. **Question 19** • Cash withdrawal services through non-bank counters e.g. 7-11; fx trading by large corps and banks; accredited investors, etc. **Question 20** • MAS may want to define a bit more clearly the difference between Activity 2 and Activity 4; as acquiring a payment transaction requires a payments communications platform of sorts. Though we agree that non-banks providing any payment processing should be regulated. **Question 21** • As above Q20.

		Question 22 • The manufacturers of payment terminals and software developers (who do not themselves undertake Activity 4) are likely to take instruction from their customers who would be held liable if regulatory requirements are not met. There does not seem to be a need to apply a "secondary regulatory oversight" over the manufacturers of tools and devices when their end users are subjected to regulatory oversight. Onus should be on regulated payment service providers to ensure that any regulatory requirements are met by these 3rd party vendors. **Question 23** • Similar to our response to Question 22, on inter-bank payments messaging platform such as SWIFT already has its own standard and guidelines (e.g. RMA due diligence standards). Participants within such inter-bank network will need to adhere to these standards and guidelines. Hence, it may not be necessary for MAS to regulate the platform to process these systems. **Question 24** • Recommend that clarity is provided if Activity 5 will cover the aggregation of information if it is just used for display i.e. non-payment activities. **Question 25** • We agree that services such as mobile wallets should be regulated. • Mobile wallets are fast gaining popularity with the merchants as well as the consumers as key payment instrument. A typical user would not know how vulnerable the mobile wallet is until it has been breached and the user suffers certain form of loss, e.g. monetary loss or identity theft. If unregulated, the user may be further shocked to realise that the mobile wallet provider would not be subjected to any penalty because it is not regulated, and the cost of seeking one's own legal recourse may be more than the value of the actual loss. • Given that payment instrument aggregation services would be regulated, there seems to be little merit not to regulate mobile wallets given the potential risks it pose. There would be a need to ensure that, amongst other things, customer's information which banks and

		other regulated entities worked hard to protect would not be lost. **Question 26** • The scope for Activity 6 is very clear. The critical role of the payment systems is to ensure efficient transmission and processing of financial transactions. **Question 27** • All underlying payment systems transmitting financial transactions should be included in Activity 6. **Question 28** • Inclusion of settlement institution is important as the infrastructure and capabilities to support settlement efficiency, certainty and security is critical to completing payment processing timely and accurately. **Question 29** • Agree, no further comment. **Question 30** • Refer to response to Q23. **Question 31** • With the increase of businesses accepting stored value facilities as a means of payments and the functionality improvement (example, easier loading and unloading), the utilisation of stored value facilities will grow significantly. The inclusion of all stored value facilities under PPF Activity 7 will provide a more comprehensive protection to all consumers. **Question 32** • MAS should consider all forms of stored value facilities that accept customer's payments in cash in exchange for other form of tokens (example, reward points, cards) which allow consumers to use these reward points to exchange for goods or rebates or cash in future.

		Question 33 • We suggest to continue applying the exclusion in Para 2.1 of the MAS Notice PS(O)A-N02 to determine whether businesses that allow customers to pre-pay for specific products and services and which are of limited purpose in terms of usage or acceptance ("the said businesses") should be regulated. While there may be businesses where the issued Stored Value card can only be used to purchase products from the same establishment, e.g. Coffee Bean or Starbucks cards and etc. ("Business A"), which should not be regulated, there are other businesses providing Stored Value card/facility that operate an online shopping platform with merchants therein located outside Singapore ("Business B"). Although the Stored Value card/ facility issued by Business B may also be pre-paid for specific products and services but given that the merchants on the online platform are so diversified, one would generally not deem it to be "of limited purpose in terms of usage or acceptance". • If we apply the exclusion therein Para 2.1 of the MAS Notice PS(O)A-N02 as the determinant, Business A should be excluded from the definition of a relevant stored value facility. If it is not excluded, there should be merits to treat it as a stored value facility, and subject it to regulation, despite it being described otherwise. **Question 34** • One example is Frequent Flyer Programme offered by Airlines. **Question 35** • From the perspective of safeguarding customers' funds, there should not be any distinction between Singapore and non-Singapore residents. The protection should cover all customers of any Stored Value Facility regulated by the MAS. • As long as the SVF is regulated in Singapore, it should not matter whether the consumer is a resident of Singapore.
36	Visa Worldwide Pte Ltd	Requested for all comments to be kept confidential
37	Western Union	**Question 1** • PPF should provide processes for applicants who decide to undertake any Activity subsequently (not

		specified at the time of application) or decide to discontinue any Activity. • Time lines for regulator responses to proposals for service offerings should be clarified • Along with time lines, an escalation procedure should be provided if a response is delayed. **Question 3** • Yes, it should apply. • As traditional boundaries between various payment services are getting blurred, the designation regime shall help in building and retaining trust in the payment eco system. **Question 4** • WU supports MAS' present intent to limit licensing to locally established payment service providers. So long as a foreign payment service provider works through a locally established payment service provider who provides the services in Singapore, the foreign payment service provider should not be required to itself establish a local presence. • The locally established payment service provider will be responsible to customers and to MAS for the service. **Question 5** • Clarity should be given on models such as white labelling. • Foreign exchange (FX) derivatives, such as forward exchange contracts and FX options, are products that are used by many businesses that import and/or export goods and services to hedge their foreign currency payments and receipts. When these products are used by a business to hedge a payment, they are directly connected to that business's international payment requirements. Non-bank providers such as Western Union Business Solutions (WUBS) provide these products to businesses solely for the purpose of hedging their payment requirements. • FX hedging products are currently regulated as leveraged foreign exchange contracts under the Securities and Futures Act (SFA). Entities that engage in leveraged foreign exchange trading under the SFA must hold a Capital Markets Service license authorising this activity. The SFA and its associated regulations make no distinction between FX hedging products and speculative FX products notwithstanding their different

		purposes and risks. Indeed, much of the regulation seems to be geared towards speculative products. This creates difficulties for hedging providers. • FX hedging is directly connected to a business's international payment requirements and as such is part of the international payment ecosystem. Consequently, FX hedging products should be regulated as an activity under the PPF (either under Activity 3 or as a separate activity) instead of the SFA with regulation that specifically deals with the use of such products for hedging purposes. **Question 6** • There appears to be crossover between Activity 1 and Activity 7. In particular, any issuer of a stored value facility (SVF) that holds stored value appears to be captured by both activities. • WUBS operates a holding facility that a customer can use to temporarily hold foreign currency amounts that it has purchased or received pending further remittance and/or conversion instructions. This facility is therefore ancillary to the FX and remittance service that WUBS provides. • A WUBS customer in Singapore can direct WUBS to pay funds from this holding facility to a beneficiary's bank account or to the holding facility of a customer of a WUBS affiliate in another country. • This facility is currently regulated under the PS(O)A as a SVF. The consultation paper suggests that the intent is to regulate it under Activity 7, but it also seems to fall within the scope of Activity 1. • Is the intention to regulate all issuers of a SVF who also hold stored value under both activities? This may need to be clarified further. If the intent is to capture issuers that hold stored value under both, care will need to be taken to ensure that such a provider is not subject to multiple and potentially conflicting requirements. **Question 7** • Stand-alone apps that assist initialization of a transaction should not be construed as a Payment Account or other payment instrument. • Only when an app is directly associated with an underlying bank card or other instrument holding monetary value should an app be considered a Payment Account.

		Question 8 • When looking at comparable legislation internationally, the European Payment Services Directive provides a similar frame of reference that has been implemented since 2009. • A "payment account" is defined as account held in the name of one or more payment service users which is used for the execution of payment transactions. Thus the focus of the regulation and supervision of payment accounts is with the accounts themselves, whether these are held at banks, payment institutions, e-money institutions or other regulated entity. Thus, we question the necessity to separately regulate internet banking portals and apps. • Our position would be to separate the supervision of accounts from the supervision of account information services as in the EU Payment Services Directive. **Question 9** • We agree that cash should not be regulated as a payment instrument. Consumers will of course continue to choose cash to avail of some regulated Activities. **Question 14** • Including the remittance business under the PPF is fine. • As technological developments blur the boundaries of remittance services, it will be important that regulation both allows room to innovate and ensures a level playing field among all activities that constitute remittance. **Question 15** • All three varieties of money transmission can be regulated under the PPF. The regulations will need to differentiate among the three when applying requirements. • For example, where trust requirements are imposed on funds sent, the undifferentiated inclusion of inbound money transmission services would create difficulties under the existing customer trust account requirements, particularly for global providers. • WU Business Solution for instance operates a global network of foreign currency accounts for the purpose of facilitating inbound money transmission services for clients across a number of countries. Segregating and designating funds received for conversion and

		payment to Singapore clients as Singapore customer trust funds may be difficult. We would support a broader range of options to ensure customers in Singapore are protected including financial requirements similar to those applied to financial services licensees in Australia. • Also, domestic money transmission activities, especially those relating to payments, could appropriately have differentiated requirements. **Question 16** • Payments made directly by purchasers to the providers of goods and services should not fall under the scope of Activity 3. • Payment services provided to purchasers by payment services providers may appropriately fall under the scope of the Activity. Small and medium business houses, who are sadly neglected by larger financial entities, as well as consumers often avail those payment services. **Question 17** • WU supports including money changing businesses under the PPF. • Not all regulations will apply equally or in the same way to remittance and to money changing. **Question 18** • Virtual currencies are not a substitute for remittance and thus will require different rules than remittance. • They need appropriate regulation and higher amount of diligence. **Question 19** • White labelling models could be explored. **Question 20** • In order to comment on the proposal to include "processing of payment instructions," we need to understand more clearly what that phrase would include and exclude. • Some examples would help us offer our comments.

		Question 24 • In order to comment on the proposal to include "Payment Instrument Aggregation Services," we need to understand more clearly what that phrase would include and exclude. • Some examples would help us offer our comments. **Question 25** • We await clarity (as discussed in response to Question 24 above. **Question 26** • Please clarify that the scope of Activity 6 does not extend to international money transfer operators who provide the international network to which the local remittance service providers will connect. **Question 33** • We agree with the MAS approach not to regulate stored value that is a by-product of other products and services. Most loyalty programs should be excluded under that approach. **Question 35** • We support a broad range of options being made available to providers of SVF's (and licensees generally) to safeguard customer funds in the interests of ensuring that providers have flexibility to implement an option that best suits their particular business.
38	Wex Asia Pte Ltd	Requested for all comments to be kept confidential
39	Wirecard Singapore Pte Ltd	**Question 1** • Wirecard will respond in accordance to the various listed activities. **Question 6** • Does it include white label cards? If card product was issued on behalf of another entity and carries the name of the entity then which party needs to seek the license? **Question 8** • Is it only for personal internet banking or includes corporate internet banking?

		Question 9 • Prepaid card top-up channel? Cash or bank account or credit card source? Is bank account originated outside SG a regulated funding source? **Question 10** • Is 3rd party scheme operator TPP? Is acquiring processing included? **Question 11** • Define direct participants. Does that include entities who are providing, operating and maintaining any form of payment systems? **Question 13** • Define money transmission? Cross-border remittance? Local funds transfer? Peer-to-peer electronic (Paylah?) **Question 14** • Is Alipay, Tencent pay included? **Question 15** • Regulate but don't restrict. MAS remittance regulations is an obstacle to our partnership with EZ Link on enabling top-up of funds for EZ Link and Touch N Go dual interface cards. **Question 17** • Define this as DCC or money changer? **Question 18** • DCC and MCP? **Question 21** • Okay for Wirecard. **Question 22** • Agree to exclude terminal manufacturers and software developers. Wirecard does software development and

		will operate the software for payment gateways as well. How is that affecting our operations? **Question 24** • Is linking mobile commerce tokenisation tagged to credit card source of funds included? **Question 25** • If mobile app only reflects physical card use history, is that in scope? **Question 27** • Is on-us credit card routing considered as switching? **Question 32** • If WD doesn't hold SVF float, will it need to apply for license? **Question 35** • Yes should be.
40	WongPartnership LLP	**Question 1** • We welcome MAS' proposal to combine the current money changing, remittance, payment systems and stored value regulatory frameworks to create a single, streamlined activity-based payments regime. Given that new payment service providers ("PSPs") in the industry often provide more than one type of payment service, we agree that an activity-based framework would be appropriate in ensuring that the level of supervision and regulation to which a PSP would be subject is commensurate with the risk that it poses to Singapore's financial system. **Question 2** • The proposal to regulate both banks and non-banks under the PPF will mean that non-bank PSPs that are currently not regulated under the existing regime(s) will become subject to licensing and on-going conduct of business rules to which banks and other financial intermediaries are currently subject. This may be burdensome for smaller start-ups which could in turn discourage them from operating in the Singapore market. In order to balance and recognise the constraints faced by smaller start-ups, it would be

		necessary to ensure that the framework for the regulatory sandbox as proposed in the Consultation Paper on FinTech Regulatory Sandbox Guidelines (issued 3 June 2016) is implemented so that smaller players are able to operate without being subject to the full gamut of the PPF under controlled conditions. **Question 3** • We believe that the existing designation regime set out in Part IV of the Payment Systems (Oversight) Act (Chapter 222A of Singapore) ("PS(O)A") could be extended to all PSPs undertaking payment activities in order to preserve MAS' power to designate licensed PSPs in the event any of the circumstances set out in Section 7 of the PS(O)A arises. • However, we think that the additional obligations which are currently contained in Part V of the PS(O)A and the additional oversight by MAS as set out in Part VI of the PS(O)A should apply only to designated PSPs. This ensures that smaller PSPs that do not pose significant risks to Singapore's financial system will not be subject to the same provisions as those that do. **Question 4** • PSPs which offer money transfer services across different countries would be more attractive as a means for money laundering and terrorist financing. Consequently, the imposition of a requirement for PSPs to establish a local presence in order to service Singapore residents would enable MAS to assess if such PSPs have a robust framework to combat money-laundering, terrorist financing and proliferation financing, and to supervise such entities on an ongoing basis. However, it is possible that such an approach may discourage foreign players from entering the Singapore market. In this regard, one possibility could be to allow foreign entities with a local presence to operate in Singapore if they are subject to licensing and anti-money laundering / countering the financing of terrorism ("AML/CFT") requirements that are equivalent to the Singapore requirements. In order to do so, it would be necessary for MAS to provide clear guidance on the jurisdictions with equivalent regimes. • Separately, we would point out that Section 31 of the PS(O)A currently states that no person outside Singapore shall whether by himself or through any person in Singapore offer or invite or issue any advertisement containing any offer or invitation to the public or any section of the public in Singapore to

		purchase or otherwise acquire a stored value facility ("SVF") or the value stored in a SVF whether in Singapore or elsewhere. However, it does not state explicitly that only an entity with a local presence may provide and operate a SVF. It would be necessary to enhance these provisions in the new PPF if the intention is to allow only an entity with a local presence to provide payment services. **Question 5** • The activities proposed to be regulated under the PPF appear to cover most of the activities in the payments value chain. **Question 6** • Subject to our comments under Question 24 below, we are generally supportive of MAS' proposed scope of Activity 1. **Question 7** • We note that MAS proposes to define a payment instrument as "an instrument that provides a user access to regulated funding sources for the purposes of initiating payments". While the definition of "funding sources" was clarified in the Consultation Paper, there was no proposed definition for "initiating payments". In this regard, MAS may wish also to consider including a definition for the phrase "initiating payments". • As an example, we would point out that the European Union ("EU") has recently revised its Payment Services Directive ("PSD2") to regulate the provision of "payment initiation services". The PSD2 defines "payment initiation service" as a service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider. "Payment order" is in turn defined as an instruction by a payer or payee to its payment service provider requesting the execution of a payment transaction. **Question 8** • If the underlying intent of Activity 1 is to regulate PSPs that allow users to create an online account (linked to regulated funding sources) for the purpose of making payments or transferring funds, then we think that internet banking portals should not be regarded as a payment account, and hence a payment instrument.

		Instead, the user account from which payments are made that is accessible via the internet banking portal should be regarded as the payment account, and hence the payment instrument. **Question 9** • The proposed approach of linking payment instruments to regulated funding sources such as bank accounts and consequently excluding cash from the scope of payment instruments appears logical given that the payment instrument would be the payment account (such as an electronic wallet or mobile wallet) through which payments instructions are made. The exclusion of anonymous instruments like Bitcoins from the ambit of payment instruments also appears sensible insofar as there are no identifiable issuers of such instruments. **Question 10** • Regulating PSPs involved in the acquisition of payment transactions appears sensible where such PSPs could introduce a risk to Singapore's financial system where they receive or hold funds on behalf of their users and/or receive, hold or store sensitive information (such as credit card information) from users and/or third parties. **Question 11** • Perhaps another way to approach the issue of whether a participant (whether direct or indirect) should be regulated under Activity 2 is to assess the level of risk introduced by such a participant to the Singapore financial system. **Question 12** • We agree that businesses (such as shops, restaurants, and travel agents) which use merchant acquirers and gateways to accept payment instruments from customers should be excluded from the scope of Activity 2. **Question 13** • Subject to our comments below, we are generally supportive of MAS' proposed scope of Activity 3. **Question 14**

		• We support the inclusion of remittance businesses under the PPF so as to create a streamlined activity-based regime. **Question 15** • We support MAS' inclusion of domestic and cross-border money transmission activities under Activity 3 of the PPF. However, the regulation of inbound money transmission activities would mean that foreign remitters with no presence in Singapore could also become subject to regulation in Singapore under the PPF, and this may discourage foreign remitters from processing remittances into Singapore. As indicated above in our response to Question 4, one possible approach could be to allow such foreign remitters to operate if they are subject to licensing and AML/CFT requirements that are equivalent to the Singapore requirements. **Question 16** • We agree with MAS' approach to exclude the transmission of payments purely for goods and services from the scope of Activity 3 as such payments do not pose the same level of AML/CFT risks as remittances and should not be subject to the same type of regulation. We also understand from experience that MAS has granted exemptions from the requirement to hold a remittance business licence for facilitating payments purely made in respect of goods and/or services. Creating a class exemption for PSPs which facilitate payments purely for goods and/or services would codify this exemption and provide more regulatory certainty to the payments industry. **Question 17** • We support the inclusion of money-changing businesses under the PFF so as to create a streamlined activity-based regime. **Question 18** • We agree with MAS' approach to include virtual currency ("VC") intermediaries under Activity 3, given that VC intermediaries that facilitate the exchange of VC in and out of fiat currency are likely to present money-laundering and terrorist financing risks.

		• Given the increased incidences of cyber theft involving VC exchanges, MAS may wish to require such intermediaries to ensure that necessary measures are in place to minimise the risk of loss to customers due to security breaches. **Question 19** • We agree that businesses (such as shops, restaurants, and travel agents) which accept payment instruments from customers should be excluded from the scope of Activity 3. **Question 20** • We are supportive of MAS' proposed scope of Activity 4. As payment communications platforms which process payment instructions would necessarily receive, hold or store sensitive information such as credit card details, it is important to ensure that such platforms are regulated and subject to regulation on technology risk management. **Question 21** • We do not have further comments to the list of potential licensees. **Question 22** • We agree that manufacturers of payment terminals and software developers of payment gateways and processors should not be regulated under the PPF, insofar as they do not operate the terminals or software for merchants and/or acquirers. **Question 24** • We note that MAS proposes to regulate under Activity 5 services which allow users to access multiple bank accounts and payment cards through a single portal (e.g. an app) and initiate payment instructions ("Aggregation Portals"). In this regard, the operator of an Aggregation Portal would be regulated under Activity 5. However, it also appears possible that an operator of Aggregation Portal would also be regulated under Activity 1 as an issuer of a payment instrument, since an Aggregation Portal may itself be deemed to be a payment instrument by virtue of being a payment account (see paragraph 2.12(b) of the Consultation Paper).

		• It would be helpful if MAS could clarify the overlap in the scopes of, and whether it intends for Aggregation Portals to be regulated under both, Activities 1 and 5 of the PPF. • We would point out that the EU's PSD2 separately regulates: (a) the provision of "payment initiation services" which is defined under PSD2 as "a service to initiate a payment order at the request of the payment service user with respect to a payment account held at another payment service provider"; and (b) the provision of "account information services" which is defined under as "an online service to provide consolidated information on one or more payment accounts held by the payment service user with either another payment service provider or with more than one payment service provider". Under PSD2, account information service providers are subject to lighter regulation than payment initiation service providers. • If the underlying intent of Activity 5 is to regulate services which provide consolidated information on one or more payment accounts held with the service provider itself or with other service provider, then perhaps Activity 5 could be limited only to the provision of payment account information services and not to the initiation of payment instructions which could be captured under Activity 1. The provisions contained in PSD2 provide an example of this. **Question 25** • Our feedback to Question 24 similarly applies here as the provision of mobile wallet services would also fall within Activity 1. **Question 26** • We are supportive of MAS' proposed scope of Activity 6, but would add the following comments: (a) to avoid overlap, the operation of payment communications platforms such as payment gateways which process payment instructions should not fall within Activity 4; and (b) we note that there have been developments involving the use of digital currency technology in international inter-bank settlements e.g. the recent successful trial announced in October by Ripple and a consortium of banks using XRP (digital currency) for international settlements. In light of such developments, it may be necessary to ensure that the

		final definition of Activity 6 is robust enough to capture such systems. **Question 31** • Subject to our comments below, we are generally supportive of MAS' proposed scope of Activity 7. Tiered approach to SVF regulatory regime • While we welcome the change for MAS to extend the licensing regime to all SVF holders, we would highlight that single purpose SVFs with a low SVF charge limit per account would pose a very different risk profile compared to other SVF service providers which provide widely-accepted SVFs without account charging limits. Having a one-size fits all licensing approach for all SVF holders regardless of their charging limits and stored value float may potentially subject small-scale SVFs to unduly onerous regulatory standards, and does not otherwise accord with MAS' general risk-based regulatory approach and its policy intent to balance consumer protection on one hand and the need to encourage innovation on the other. • In this regard, we would suggest that MAS adopt a tiered approach to the regulation of SVF holders which could resemble the current regulatory regime for fund managers under the Securities and Futures Act (Chapter 289 of Singapore) where fund managers could be subject to either a licensing or registration regime depending on the amount of assets under management they manage and the type of customer they provide their services to. Further, within the licensing regime, licensed fund managers are also subject to different risk-based capital adequacy requirements, base capital requirements and other risk management requirements depending on the scope of their activities. Similarly, it could be possible for MAS to consider applying different sets of regulatory standards to SVF holders depending on factors such as: (a) whether the SVFs provided are multi-purpose / single purpose; (b) the amount of stored value float they hold; and (c) whether such SVFs are made available for retail (individual user) or business payments (business users). • Moving forward, if MAS adopts such risk-based regulatory approach for SVF holders depending on the amount of "stored value float" they hold, it would also be beneficial if the MAS could clarify how such "stored value" would be computed for the determination of whether any prescribed regulatory threshold amount is exceeded. For example, further clarity could be provided on whether there is a prescribed time period

		for computing such "stored value" float (on an annual basis / biannual basis). Control or influence in computation of stored value float for determining whether a prescribed monetary threshold is exceeded • We note that currently, in determining whether a SVF holder has exceeded the S$30m threshold for the purposes of Section 33 of the PS(O)A, such SVF holder would have to aggregate all stored value of SVFs held by other persons over which it has control or influence ("Controlled/Influenced Holder") under Regulation 14 of the Payment Systems (Oversight) Regulations ("Reg 14"), such as its wholly owned subsidiaries. This could potentially result in the scenario where the Singapore-incorporated SVF holder would be required to aggregate the stored value held by its overseas subsidiaries, even where the stored value held by such overseas subsidiaries (a) do not relate to the Singapore incorporated SVF's business in Singapore, (b) are held solely outside Singapore, and (c) do not belong to the SVF holder's users resident in Singapore. • In this regard, it would appear unduly onerous for SVF holders in Singapore to have to aggregate the stored value held by their overseas Controlled/Influenced Holders especially where such stored value held (a) do not relate to the Singapore incorporated SVF's business in Singapore, (b) are held solely outside Singapore, and (c) do not belong to the SVF holder's users resident in Singapore. In many circumstances, such foreign-incorporated Controlled/Influenced Holders are already subject to analogous foreign regulatory regimes. Hence, requiring the local incorporated SVF holder to aggregate its overseas Controlled/Influenced Holders' stored value would, amongst other things, impose additional regulatory requirements on such players that would increase their compliance costs which could otherwise be channelled into innovation and development. • In light of the reasons above, it is respectfully submitted that if Reg 14 is preserved under the PPF, MAS should amend Reg 14 accordingly to consider excluding the need for local SVF holders to aggregate the stored value float held by their foreign Controlled/Influenced Holders where such stored value held (a) do not relate to the Singapore incorporated SVF's business in Singapore, (b) are held solely outside Singapore, and (c) do not belong to the SVF holder's users resident in Singapore.

		Question 33 • We support the proposal not to regulate these businesses. **Question 34** • We are not aware of any existing business models that may inadvertently or unfairly be considered as undertaking Activity 7. **Question 35** • We note MAS' proposal to provide for mechanisms for licensees to safeguard customers' funds by segregating customers' funds via full bank liability, insurance, bankers' guarantees or trust accounts. We would point out that in certain jurisdictions (such as in Germany) the concept of a trust does not exist. It would follow then that it would not be possible to place customers' funds in a trust account in those jurisdictions if a SVF in Singapore provides services to users in those jurisdictions. MAS may wish to consider providing that SVF holders may implement other arrangements to ensure that customers' funds are segregated and held separately for the benefit of the customers although such arrangements may not regarded as trust accounts under the law of those jurisdictions.
41	Respondent A who requested for confidentiality of identity	**Question 3** • Yes, solutions from Fintech companies on electronic wallet as a multipurpose wallet should understand risk and abide by the regulatory guidelines on payment activities. • Inefficiency in the current payment scene especially in remittances is making users suffer in terms of convenience and location limitation (i.e. queuing for 1 - 2 hours to be in front of a remittance counter just to move their money cross-border). Users are ready with Smartphones enabling feature rich app but this sector is not fully optimising this area to facilitate the flow of money. **Question 4** • Yes, generally users are used to having an avenue to resolve any issues that they encounter while they enjoy the payment convenience. Minimally, foreign payment SP should have an office for customer service when users encounter any problem.

		Question 6 • Maintaining payment instruments such as electronic wallets should be allowed as long as users provides information that is identifiable, for example, their mobile number with OTP verification so that they can be identified. **Question 8** • Yes, as it is convenient for use as payment account. **Question 9** • While we move towards a cashless society, at this point of time, users should still be allowed to use cash or crypto-currency as a mode of funding the wallet and providing more information such as declaration of source of funds if amount goes beyond a defined amount (e.g. $1,000). • Just like cash deposit machines operated by banks, the source of cash continues to be unknown. **Question 10** • See answer 11. **Question 11** • No, it should not. • Ecosystem providers such as linking suppliers to businesses to consumers and they should be able to facilitate the payment flow between parties involved. **Question 14** • Facilitating money service should be part of payment services. **Question 17** • Money changing business is going virtual with Fintech solutions therefore, it should be also regulated under PPF. **Question 19** • Multi-Currency wallet operators

		Question 20 • See answer 23 **Question 21** • Yes **Question 22** • Software developers are usually the payment developers who are required to understand the risk of developing payment platforms (such as cyber risk), hence they should be included. **Question 24** • Partners or providers of e-wallets should open up their communication and API to allow users to maintain one platform for all his/her wallet needs, for example, just like having many credit cards in one wallet yet enjoying discounts depending on the benefit of the various wallets. **Question 25** • Yes, there should be clear risk and guideline for wallet operators to mitigate users risk. **Question 31** • For wallet providers, transactions are clearly defined in reports of the micro transaction flowing through the system. Prepayment in small amounts of less than $1000 could facilitate any micro transactions happening on the account and it should be up to users' discretion. **Question 33** • Usually loyalty are for benefits to the users, it should be based on user's discretion **Question 35** • Yes, both.
42	Respondent B who requested for confidentiality of identity	**Question 1** • This is a necessary strategic rethink of how financial institutions are managed by the MAS. It appears that we are progressing from a historical vertical silo

		approach with very little overlap between different financial sectors, to a more horizontal approach with AML/CFT and now Payments running across all previous divisions. • New products and processes continue to emerge that could prove either disruptive or beneficial to our country and economy. A different approach that includes regulatory structure, guidelines, and strategic vision is required, that will incorporate the changes and opportunities for the payments market. Uniform assessment of a risk based approach needs to be applied across all participants. **Question 2** • If every Financial Institution adhered to the regulatory framework with the same level of compliance, then levelling the playing field would inevitably introduce more competition and favour the stronger, larger and innovative players. However, compliance adherence varies greatly across sectors. • What would help is tiered licensing, linking the capability (as assessed by MAS audits) to the transactional values and volumes and the scope of license granted. **Question 3** • The existing system does not allow flexibility for the current payment systems to integrate or expand, let alone new ones to be adopted. So, yes an overhaul of the regulatory framework is overdue, so that Singapore can remain competitive whilst not being infiltrated by a parallel system of unregulated payment systems. **Question 4** • Absolutely yes, this is fundamental to the mitigation of Singapore's intrinsic financial risk. Not just a token local presence, but adequate capital, management and execution capability so as not to create dependency on a foreign entity over which little or no control could be exerted. • Licensing should be a pre-requisite to all relevant payment service providers, whether they are locally owned or not. **Question 5** • Activity 3 should refer to "value" rather than just "money", so as to include air-time top-up and other

		non-money transfers. There are a number of non-money transfer activities that can be re-sold or provided a cash out option. **Question 6** • The scope should include anonymous instruments, not just the interaction between anonymous instruments and the cash or banking market. See Response 7 below. **Question 7** • It is possible to earn a salary paid in Bitcoins, to use those Bitcoins for everyday expenses (accommodation, food, transport) and to send those Bitcoins abroad, without ever touching the cash or banking markets. In this case, issuing a virtual current is a payment funder and should be included appropriately. (Note that the canton of Zug is now accepting Bitcoin payment for government services.) • Cash, is most certainly a payment instrument, but since the issuer is the MAS, it could be exempted. However, cash has a significant circulation cost and alternatives would increase payment efficiency, transparency and traceability. **Question 8** • Banking or transaction portals, via computer or mobile are simply a method of effecting transactions on the underlying funding sources. It is not possible to use a banking portal without being a client of the underlying financial institution, and the portal itself does not transact, merely passes transaction requests to the institution. **Question 9** • No, this is not a good idea. There are two objectives here; the first to provide comprehensive and sustained incentives to remove cash from the system (as identified in the NRA), and second to avoid anonymous instruments replacing cash, unless specific conditions are met. • Block-chain technology is perhaps the most important AML/CFT tool that the MAS could take advantage of, by simply creating non-fungible traceability. This has to be incorporated into the same framework as existing payment instruments.

		• Block chain authentication technology cannot just be excluded because it is difficult to create a homogenous environment in which it can be regulated alongside conventional payment systems. **Question 10** • The scope is adequate. **Question 11** • If non-direct participants are entities such as hosting, communication or hardware companies participate, then a different set of non-financial regulations should apply. Greatly clarity is required to differentiate between direct and non-direct participants. **Question 12** • The default position should be that all related providers to the transaction processing are included unless specific exemption is sought and granted. **Question 13** • The scope is comprehensive, but specific reference must be made to include telcos that provide remote top-up or value transfer services. **Question 14** • Yes, these should be included by the very nature of the business that they undertake. See Response 39. **Question 15** • Yes, they should all be included but different criteria apply to each of these categories and they should not be judged together. • There is an implicit assumption that once money is within Singapore, having arrived by any means, that it is clean and its source identifiable but this is not always the case. • The level of scrutiny should be applied on a tiered basis with the greatest for inbound transmission, then outbound and lastly domestic. • Large cash transactions in any category should require sight of the ICA cash declaration, or bank withdrawal slip as appropriate.

		Question 16 • Domestic goods and services are already covered under payment instruments and therefore should not be included, unless the services relate to financial institutions or their products or services. **Question 17** • With the updates to MCRBA and 3001, money changers and remittance companies operate within the same regulatory framework. Remittance companies provide currency exchange only in connection with the transmission of funds cross border. • However, money changers now provide substantial remittance operations in the cash market. Again with reference to the NRA, this practice needs to be addressed. • The proposal to have a general license that allows specific activities needs to redefine the difference between remittance operators and money changers and limit the business of each accordingly. **Question 18** • Most certainly. As virtual currencies gain traction in our economy, they need to be regulated as any other provider would be, who is currently operating in the conventional current cash & banking market. **Question 19** • There will inevitably be other businesses that fall within the scope of this activity, but that is not such a bad thing. Careful consideration must be made to the drafting and, by default, include everything that can possibly be exempted later. It would be much harder to retrospectively include previously excluded activities. **Question 20** • There needs to be a distinction between kiosks that are primarily Internet portals of the underlying business activity, and those that act as clearing houses for other parties. • MacDonald's food ordering kiosks or SQ check-in kiosks should fall out of the scope of this activity. If AXS provides a direct interaction between NETS and the underlying services that it displays on its portal, then they too would be exempt.

		• Once the kiosk forms part of the clearing side of the value chain, then they would be included. • Telecommunications companies (Telcos) should fall under the scope of Activity 4. Telcos are facilitating domestic and international payments and offer credit and deposit facilities (storage of value) in both prepaid and more importantly post-paid accounts and at present there is little regulatory control of these activities. • Cash and other anonymous negotiable instruments sent by mail would therefore include the postal and courier services under this activity. **Question 21** • In the case of a kiosk acting as an Internet touch point, then the same principle would apply to an equivalent process on a mobile device. As referred to in Response 20, once the kiosk or mobile service does more than connect authorised payment sources to underlying authorised services, only then should they be included. **Question 22** • These should not be included, unless there is proprietary technology that is not owned by a Singapore entity that forms part of any AML or CFT process. For large providers that may prove a systemic risk to the country, then a Quality of Service regulation should apply. **Question 23** • This should not be included, providing that the messaging systems only allow regulated and licensed financial intermediaries as members. The bank should already be aware of the source of funds, the originator and the beneficiary details. Adding a layer to the domestic process would unnecessarily complicate the process. • As recommended to the MAS last year, the concept of full transaction ledger reporting would be a much more sensible option. **Question 24** • As soon as an aggregator service has transactional capability, then it needs to be regulated in the same way that any of the underlying services that it is aggregating are individually regulated.

		Question 25 • If the mobile wallet simply stores credit card or bank details, then it should not be included. Once the wallet contains any stored value, then it should be included. **Question 26** • The scope is adequate. **Question 27** • As referred to in Response 39, all should be included by default and exemption only granted on a case by case basis. **Question 28** • Yes, this is relevant. Take for example the recent SWIFT hack in Bangladesh. Inclusion should be mandatory by default. **Question 29** • This should only be regulated in the case that a payment is cross border, or involves a change in ultimate ownership or licensed entity. **Question 30** • If there is significant representation, control or influence exerted by a Singapore linked entity or person, then they should be included. If there is not, then regulatory influence would be difficult and to some extent pointless. **Question 31** • The scope is adequate and should include any service that stores value. If the value of funds has to rest with a licensed banking entity, then there needs to be an obligation to support the stored value providers, with mechanisms to stop one class of participant excluding another. E.g. the current systemic de-banking re-risking scenario. **Question 32** • Stored value should include on-line loyalty programs where transactional turnover generates benefits or

		value that can be exchanged for goods or services, e.g. KrisFlyer loyalty points. **Question 33** • This is too general and not all these examples can be grouped together. Specific prepayment need not be included as the scope of the services offered are already covered in other Activities. However, points of value that can be exchanged or resold for goods and services should be included. **Question 34** • The default position should be that all stored value providers are included unless specific exemption is sought and granted. **Question 35** • The provision of capital to back any stored value deposits should be applied with reference to the size and credit worthiness of the provider. The provider's track record and MAS audit findings should dictate the amount of cover required. • The risks presented are insurable therefore instruments such as insurance bonds should be acceptable as cover rather than segregated capital assets or security deposits for a non-bank class of providers.
43	Respondent C who requested for confidentiality of identity	**Question 2** • Banks are already subject to more stringent regulatory requirements compared to non-financial institutions or other financial institution licenses. • The bank supports MAS' suggestion to promote a level playing field for similar activities. However, this should also mean that banks should be allowed to comply with less stringent requirements when they apply to specific activities under the PPF which the banks are performing. The bank will continue to adhere to the stricter standards when it pertains to core banking activities. Bank seeks to confirm with MAS whether such an approach to a level playing field and more conducive environment for innovation is what the regulator is proposing.

		Question 3 • Policy objectives should be clearly set out for the designation regime and the licensing regime to co-exist only successfully. • To maintain a level playing field, a regulated DPS pursuing a new line of business under the PPF should not be subject to more stringent requirements than a start-up or an entity that is not regulated as a DPS. Thus, the regulatory requirements on a DPS should be focused on its systemic or system-wide nature, and should not restrict its ability to offer new and innovative services to compete with new entrants in the payments landscape. • Notwithstanding the above, small payment providers, when viewed collectively, could pose a systemic risk. **Question 4** • Yes, principally foreign payment service providers should be required to establish a local presence and be regulated (e.g. currencies restrictions, fraud, storing and usage of customers' data, data privacy) under the PPF if they are deemed to be conducting the same activities as a local payment service provider. • This is especially so for funds used globally on ubiquitous payment service providers (e.g. Venmo/Paypal). **Question 5** • Clarity on some of the definitions of the proposed activities would be useful - clearer descriptions could be set out in future consultations. • Areas where there may be gaps include: addressing services (e.g. CAS), tokenization services (e.g. VTS, MDES), Payment messaging protocols or messaging services (e.g. SWIFT, Ripple, new blockchain protocols), international schemes (e.g. Visa, MasterCard) **Question 6** • There should be clarity on the definition of "internet banking portals and apps" and how these may constitute a payment instrument (e.g. electronic wallets such as ApplePay/SamsungPay). If electronic wallets are considered as regulated activity, there should be consideration given to: (a) the period which the funds could be held, (b) the threshold, (c) where the funds are held.

		• Internet banking portal and apps are an initiation channel and should not be considered a payment account of a payment instruments. Please refer to our response to question 8 for details. **Question 7** • A prepaid account that is funded via top-up from CASA or cash to purchase virtual currencies (without conversion or an intermediary) but subsequently may be accepted or withdrawn outside of Singapore, thereby facilitating a cross-border payment or money transfer appears to be excluded from the definitions. • Examples include prepaid accounts of Bitcoin where the purchase may not be via an intermediary or a purchase from an issuer of virtual currency such as gaming currency. Please also refer to our response to question 18 **Question 8** • Internet banking or mobile banking portals are channels or means for the Bank's customers to access their accounts for various purposes other than payments. The portal itself does not constitute a payment capability. • Availing internet and mobile banking channels should not be considered as a payment account. • We propose that MAS clarify the definition to exclude such digital channels from being classified as payment instruments. **Question 9** • We would like to seek clarity on the definition of "regulated funding sources". • As with stored value facilities, there should be thresholds on these payment instruments. This is especially so with the ubiquity of new payment providers. **Question 11** • We seek clarity on the definition of a master merchant or a merchant aggregator. • Today there may be many merchants who in effect resell items but are fully liable for those goods or services (e.g. a low cost carrier may be acquired as a single merchant but could in effect be selling travel insurance, hotels, and other ancillary services). Marketplaces have also started to be acquired directly

		as single merchant of record, even though some or most of their underlying goods and services may be supplied by third-parties. MAS should clarify such definitional issues so it is clear if acquiring banks or gateways can and should require that specific master merchants be licensed by MAS before acquiring services can be provided to them. **Question 13** • Electronic wallets should be included in scope of Activity 3. **Question 14** • We would like to clarify if the current moneychanging/remit license will continue to apply. If subsidiary's parent firm has a banking license, will the subsidiary still be required to obtain a separate remittance license. • Agree that remittance business should be included under the PPF. **Question 15** • We agree that domestic, cross-border and inbound money transmission activities should be included under PPF. This will also provide clarity on whether banks should engage with and provide banking services for new entities providing such services. **Question 16** • Fungible goods e.g. gold/silver e-credits should be excluded under the scope of Activity 3. • However, it is not always possible to differentiate a transfer meant for payment of goods and services from a pure transfer. We would like to clarify how this can be enforced. Entities may circumvent regulations by declaring or ask their customers to declare that their payments are for underlying goods and services when it may not be. **Question 17** • Money-changing business should be included under the PPF. **Question 18** • Refer to our response for question 7.

		• Virtual currency intermediaries should be included under Activity 3. Rules should also cover entities that are not intermediaries but sells virtual currencies or cryptocurrencies directly (e.g. online game providers, bitcoin wallet providers). **Question 19** • Other businesses which may unintentionally fall under the scope of Activity 3 include new businesses that evolved goods/services to accept funds. E.g. an online store which was in the business of selling gold expands into offering fungible dollars/point concepts. **Question 21** • Licensee list should include other bill payment aggregators that do not operate with payment kiosks, but work with distribution outlets or channels such as convenience stores and mobile apps. **Question 22** • By regulating or certifying terminal providers who wish to provide their terminals in Singapore, MAS may create potential merits by reducing the due diligence and risk management work required at every bank and acquirer that will need to do when working with these providers of payment terminals. **Question 23** • We believe there are some merits as there are new messaging and payment protocols such as Ripple, or new standards with existing messaging platforms such as SWIFT. Given the latest security incidents surrounding SWIFT gateways, there may also be merits to regulate messaging platforms as a class so as to formalize best practices around AML, CFT, and cyber security risk management. **Question 24** • MAS should clarify whether merchants that keep payment instrument information stored in order to access them for payments at a later stage (e.g. card on file) will be regulated as having performed this activity. As consumer confidence and security issues may arise in such cases, MAS may want to consider regulating such merchants as they would essentially be replicating

		the same activity as some wallets or gateways but may not be regulated if they fall outside the scope. **Question 25** • Yes. As there may be a myriad of mobile wallet choices for consumers, it is envisioned that regulating or licensing non-banks in this space can build public confidence and impose relevant industry standards, such as tokenization. **Question 30** • Should be regulated as domestic payment switches and schemes may be subject to rules under these regulations. To maintain a level-playing field, similar requirements should be imposed insofar as the international payment systems also operate within the domestic arena. **Question 31** • MAS may wish to review the following: (a) Can the value of SVF be withdrawn? (b) If possible, is there a requirement for SVF card to be disabled? This may potentially impact the withdrawal of funds from NETS FP and EZlink. • MAS is proposing to license and regulate the holding of all SVFs. Under the current PS(O)A regulations, SVFs that hold more than S$30m of customer funds are required to engage a bank in Singapore to be fully liable for all customer funds (i.e. Approved Bank). Could MAS clarify whether the requirement to appoint an approved bank to be fully liable for all customer funds is expected to extend to all licensed SVFs? • In the case where an Approved Holder and Approved Bank has already been approved by MAS, would such arrangements be grandfathered? **Question 32** • Over time, SVFs are akin to funded digital wallets. • Referring to our response in question 2, bank-operated p2p wallets should be subject to similar regulatory requirements as non-bank-operated p2p wallets under the PPF to ensure a level-playing field. As banks are subject overall to higher standards of security or regulations or approval processes under the Banking Act, we suggest that the PPF legislation can be accompanied by amendments to the Banking Act

		allowing for risk-adjusted regulations for payment activities that banks engage in defined under the PPF. **Question 33** • We believe paper-based SVFs should also be regulated to avoid any potential regulatory arbitrage leading to more paper-based instruments rather than digital ones. Paper-based instruments generally involve more manual, paper, and cash processes, including purchase, redemption, refunds, and reporting. To truly drive the digital and cashless agenda, these instruments should come under regulation and relevant best practices as well. • We suggest that MAS also regulates points and reward providers where the providers are third parties and not actual merchants simply enhancing their business processes. We understand that individual merchants may employ their own loyalty or rewards program, which need not be regulated. However, where there are multiple merchants involved, a rewards or points or pre-payment system becomes akin to a SVF used as payment instruments. **Question 35** • We are of the view that MAS should require SVF holders to have in place mechanisms to safeguard customer's funds, regardless of whether the customers are Singapore residents. While an SVF may be used by non-Singapore residents, there could be a systemic impact if a foreign SVF holder defaults on its payment to merchants in Singapore.


MAS
Monetary Authority of Singapore

Payment Services Bill

Bill No. /2018.

Read the first time on .

THIS VERSION OF THE BILL IS IN DRAFT FORM AND IS SUBJECT TO CLEARANCE BY THE ATTORNEY GENERAL'S CHAMBERS

PAYMENT SERVICES ACT

(No. X of 2018)

ARRANGEMENT OF SECTIONS

PART 1
PRELIMINARY

Division 2 – Conduct of business

Subdivision (1) - General

Subdivision (2) – Major payment institutions

Division 3 – Control of Substantial Shareholders and Controllers of Licensees

Division 4 – Control of Officers of Licensees

Division 5 – Audit of Licensees

PART 3
PAYMENT SYSTEMS

Division 1 – Information gathering powers over Payment Systems

Division 2 – Designation of Payment Systems

Division 3 – Obligations of Operators and Settlement Institutions of Designated Payment Systems

Division 4 – Access Regime

Division 5 – Voluntary Transfer of Business

Division 6 – Control of Substantial Shareholders and Controllers of Operators of Designated Payment Systems

PART 8
MISCELLANEOUS

A BILL

i n t i t u l e d

An Act to provide for the licensing and regulation of payment services, oversight of payment systems, and for matters connected with any of these.

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

PART 1

PRELIMINARY

Short title and commencement

1. This Act is the Payment Services Act 2018 and comes into operation on a date that the Minister appoints by notification in the *Gazette*.

Interpretation

2.—(1) In this Act, unless the context otherwise requires—

"access", in relation to a payment system, means the entitlement or eligibility of a person to become a participant in the payment system, on a commercial basis on terms that are fair and reasonable;

"access regime", in relation to a payment system, means an access regime imposed by the Authority under section 52 and that is in force;

"advocate and solicitor" means an advocate and solicitor of the Supreme Court or a foreign lawyer as defined in section 2(1) of the Legal Profession Act (Cap. 161);

"Authority" means the Monetary Authority of Singapore established under the Monetary Authority of Singapore Act (Cap. 186);

"bank" has the same meaning as in section 2(1) of the Banking Act (Cap. 19);

"bank in Singapore" has the same meaning as in section 2(1) of the Banking Act (Cap. 19);

"banking business" has the same meaning as in section 2(1) of the Banking Act (Cap. 19);

"book" includes any record, register, document or other record of information and any account or accounting record, however compiled, recorded or stored, whether in written or printed form or on microfilm or by electronic process or otherwise;

"chief executive officer", in relation to a corporation, means a person, by whatever name described, who —

(a) is in the direct employment of, or acting for or by arrangement with, the corporation; and
(b) is principally responsible for the management and conduct of the business of the corporation;

"corporation" has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

"currency" means currency notes and coins which are legal tender in Singapore or a country or territory other than Singapore;

"credit card" or "charge card" has the same meaning as in section 56 of the Banking Act (Cap. 19);

"deposit" has the same meaning as in section 4B of the Banking Act (Cap. 19);

"deposit-taking business" has the same meaning as in section 4B of the Banking Act (Cap. 19);

"designated payment system" means a payment system that is designated by the Authority under section 43 to be a designated payment system for the purposes of this Act;

"director" has the same meaning as in section 4(1) of the Companies Act;

"e-money" means any electronically stored monetary value that is denominated in any currency that—

(a) has been paid in advance for the purpose of making payment transactions through the use of a payment account;
(b) is accepted by a person other than the person that issues the e-money; and
(c) represents a claim on the person that issues the e-money;

but does not include any deposit accepted in Singapore, from any person in Singapore, by a person in the course of carrying on (whether in Singapore or elsewhere) a deposit-taking business;

"employee" includes an individual seconded or temporarily transferred from another employer;

"entity" means any body corporate or unincorporated, whether incorporated, formed or established in or outside Singapore;

"executive director" means a director who is concurrently an executive officer;

"executive officer", in relation to a corporation, means any individual, by whatever name described, who —

(a) is in the direct employment of, or acting for or by arrangement with, the corporation; and
(b) is concerned with or takes part in the management of the corporation on a day-to-day basis;

"exempt person" means a person who is exempt under section 14;

"financing business" has the same meaning as in section 2 of the Finance Companies Act (Cap. 108);

"Guidelines on Fit and Proper Criteria" means the document by that title issued by the Authority and published on its website, as revised from time to time;

"Guidelines for Operation of "Merchant" Banks" means the document by that title issued by the Authority and published on its website, as revised from time to time;

"licence" means a licence granted under section 7;

"licensee" means a payment service provider that is for the time being licensed;

"limited liability partnership" has the same meaning as in section 2(1) of the Limited Liability Partnerships Act (Cap. 163A);

"major payment institution" means a person licenced under as section 7 as a major payment institution;

"merchant" means a person who, in the course of the person's business—

(a) provides goods or services;
(b) promotes the use or purchase of goods or services; or
(c) receives or is entitled to receive money or other consideration as a result of the provision of goods or services,

and includes any employee or agent of the person, but does not include a natural person who is not registered under section 5 of the Business Names Registration Act 2014 (Act 29 of 2014);

"money" includes currency and e-money but does not include virtual currency;

"operator", in relation to a payment system, means a person who operates the payment system;

"participant", in relation to a payment system, means any person who is recognised in the rules of the payment system, otherwise recognised as being eligible to settle payments through the payment system with other participants, or processes payments through the payment system;

"partner" in relation to a limited liability partnership, has the same meaning as in section 2(1) of the Limited Liability Partnerships Act (Cap. 163A);

"payee" means a person who is the intended recipient of money which has been the subject of a payment transaction;

"payer" means a person who holds a payment account and initiates, or consents to the initiation of, a payment order from that payment account;

"payment account" means—

(a) any account held in the name of, or any account with a unique identifier of, one or more payment service users; or
(b) any personalised device or personalised facility,

which is used by a payment service user for the initiation, execution, or both of payment transactions and includes a bank account, debit card, credit card and charge card;

"payment order" means any instruction by—

(a) a payer; or
(b) a payee,

to their respective payment service providers requesting the execution of a payment transaction;

"payment service" means any service specified in the First Schedule but excludes services specified in the Second Schedule;

"payment service provider" means any person who provides a payment service;

"payment service user" means any person when making use of a payment service in the capacity of either payer or payee, or both;

"payment system" means a funds transfer system or other system that facilitates the circulation of money, and includes any instruments and procedures that relate to the system;

"payment transaction" means an act, initiated by the payer or payee, of placing, transferring or withdrawing money, irrespective of any underlying obligations between the payer or payee and includes—

(a) the placing, transferring or withdrawing of money for the purposes of making payment for goods or services; and
(b) the placing, transferring or withdrawing of money for any other purpose.

"permanent place of business" means each fixed place or fixed location in Singapore used by a licensee or an operator or settlement institution of a designated payment system for carrying on business, whether within a single building or at a single business address;

"personalised device or personalised facility" means any device or facility (whether in physical or electronic form) with a name or unique identifier;

"place of business" means a permanent place of business, a mobile kiosk or any other place used by the licensee or an operator or settlement institution of a designated payment system for the conduct of business;

"public authority" means —

(a) the Government, including any ministry, department and agency of the Government, or an organ of State; or
(b) any statutory body;

"registered office" means an office established by a person under section 142(1) or 370(1) of the Companies Act (Cap. 50);

"standard payment institution" means a person licenced under as section 7 as a standard payment institution;

"statutory body" means a board, commission, committee or similar body, whether corporate or unincorporate, established under a written law;

"settlement institution" means a person who provides facilities for —

(a) the participants of a payment system to hold funds; and
(b) the settling of transactions between the participants;

"share" has the same meaning as in section 4(1) of the Companies Act (Cap. 50) and includes an interest in a share;

"Singapore operator" means an operator which is incorporated in Singapore;

"Singapore settlement institution" means a settlement institution which is incorporated in Singapore;

"unique identifier" means a combination of letters, numbers or symbols specified by the payment service provider to the payment service user and is to be provided by the payment service user in relation to a payment transaction in order to identify unambiguously one or both of—

(a) the other payment service user who is a party to the payment transaction;
(b) the other payment service user's payment account;

"virtual currency" means any digital representation of value that—

(a) is expressed as a unit;
(b) is not denominated in any currency;
(c) is a medium of exchange accepted by the public or a section of the public, as payment for goods or services or the discharge of a debt;
(d) can be transferred, stored or traded electronically; and
(e) satisfies such other characteristics as the Authority may prescribe,

but does not include such other digital representation of value that the Authority may prescribe.

(2) In any case where the functions of the operator or settlement institution of a payment system are assumed by or shared among more than one operator or settlement institution, a reference in this Act to the operator or settlement institution shall be read as a reference to each of such operators or settlement institutions.

Purpose of Act

3. The purpose of this Act is to—

(a) regulate—
  (i) licensees;
  (ii) exempt persons in relation to their provision of payment services;
  (iii) operators, settlement institutions and participants of designated payment systems;
(b) provide for the Authority's oversight of payment systems and payment services under this Act; and
(b) regulate and provide for matters relating to or connected with the above.

Application of Act

4.—(1) Subject to subsection (2), this Act does not apply to any public authority.

(2) The Minister may by order declare that a public authority is one to which this Act applies.

Appointment of Assistants

5.—(1) Subject to subsection (2), the Authority may appoint any person to exercise any of its powers or perform any of its functions or duties under this Act, either generally or in any particular case, except the power —

(a) of appointment conferred by this subsection; and

(b) to make subsidiary legislation.

(2) The Authority may, by notification in the *Gazette*, appoint one or more of its officers to exercise the power under a provision of this Act specified in the Third Schedule to grant an exemption to a particular person, or to revoke any such exemption.

(3) Any officer appointed by the Authority under subsection (1) or (2) is deemed to be a public servant for the purposes of the Penal Code (Cap. 224).

PART 2

LICENSING OF PAYMENT SERVICE PROVIDERS

Division 1 – Licensing of payment service providers

Licensing of payment service providers

6.—(1) A person must not carry on business in providing any type of payment service in Singapore unless the person is licensed by the Authority under this Act or exempted under section 14 in respect of that type of payment service.

(2) For the purpose of subsection (1), a person is deemed to be carrying on business in providing a payment service if the provision of the payment service is incidental to any other business which he carries on, whether it is related or not, to the other business which he carries on.

(3) Any person that contravenes this section shall be guilty of an offence and shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine not exceeding $12,500 for every day or part of a day during which the offence continues after conviction; or

(b) in any other case, to a fine not exceeding $250,000 and, in the case of a continuing offence, to a further fine not exceeding $25,000 for every day or part of a day during which the offence continues after conviction.

Application for licence

7.—(1) A person who desires to carry on business in providing one or more types of payment service must be licensed in respect of that type of payment services and must apply in writing to the Authority for a licence under this section, in such form and manner as the Authority may require.

(2) Subject to subsections (3), (4), (5) and (6), the person in subsection (1) may apply for a—

(a) money-changing licence;
(b) standard payment institution licence; or
(c) major payment institution licence.

(3) A person must hold a money-changing licence if he carries on business in providing money-changing services only.

(4) A person must hold a standard payment institution licence or a major payment institution licence if he carries on business in providing —

(a) any one or more of the following payment services —
    (i) account issuance services;
    (ii) domestic money transfer services;
    (iii) cross border money transfer services;
    (iv) merchant acquisition services;
    (v) e-money issuance;
    (vi) virtual currency services; or
(b) money-changing services and any one or more of the following payment services —
    (i) account issuance services;
    (ii) domestic money transfer services;
    (iii) cross border money transfer services;
    (iv) merchant acquisition services;
    (v) e-money issuance;
    (vi) virtual currency services.

(5) A person must hold a major payment institution licence if —

(a) the person carries on business in one or more of the following payment services —
    (i) providing account issuance services;
    (ii) providing domestic money transfer services;
    (iii) providing cross border money transfer services;
    (iv) providing merchant acquisition services; or
    (v) providing virtual currency services,

    and the average monthly transactions (including all payment transactions) accepted, processed or executed by that person in a calendar year, in respect of the

payment services in paragraphs (i) to (v) but excluding providing account issuance services where the payment accounts do not store e-money, exceeds $3 million;

(b) subject to (c), the person carries on business in one of the following payment services —

(i) providing account issuance services; or

(ii) e-money issuance,

and the average daily e-money stored in the payment account or issued to persons, who have an agreement with the first named person to be treated as resident in Singapore for the purpose of the e-money stored in the payment account or e-money issued, as the case may be, in a calendar year exceeds $5 million;

(c) the person carries on business in both of the following payment services-

(i) providing account issuance services;

(ii) e-money issuance;

and the average daily e-money issued to persons, who have an agreement with the first named person to be treated as resident in Singapore for the purpose of e-money issuance, in a calendar year exceeds $5 million.

(6) Upon receiving an application under subsection (1), the Authority must consider the application and may —

(a) grant a licence to the applicant in respect of one or more types of payment service with or without conditions; or

(b) refuse to grant a licence.

(7) Where an applicant has applied for a licence in accordance with subsection (2)(a), the Authority must not grant a licence to the applicant unless —

(a) the applicant has a permanent place of business or registered office in Singapore;

(b) the Authority is satisfied as to –

(i) whether the applicant is a fit and proper person in accordance the Guidelines on Fit and Proper Criteria;

(ii) the financial condition of the applicant; and

(iii) whether the public interest will be served by the granting of the licence; and

(c) the application is accompanied by —

(i) such information as the Authority may require; and

(ii) a non-refundable application fee of a prescribed amount that is paid in the manner the Authority specifies.

(8) Where an applicant has applied for a licence in accordance with subsection (2)(b) and (c), the Authority must not grant a licence to the applicant unless —

(a) the applicant is a company incorporated under the Companies Act (Cap. 50) or a company incorporated outside Singapore;

(b) the applicant has a permanent place of business or registered office in Singapore;

(c) the applicant has an executive director who is a Singapore citizen or a Singapore permanent resident;
(d) the applicant satisfies the minimum capital requirements as may be prescribed;
(e) the Authority is satisfied as to –
    (i) whether the applicant is a fit and proper person in accordance with the Guidelines on Fit and Proper Criteria;
    (ii) the financial condition of the applicant; and
    (iii) whether the public interest will be served by the granting of the licence;
(f) the applicant satisfies financial and operational requirements specified by the Authority; and
(g) the application is accompanied by —
    (i) such information as the Authority may require; and
    (ii) a non‑refundable application fee of a prescribed amount that is paid in the manner the Authority specifies.

(9) The Authority may at any time add to, vary or revoke any of the existing conditions of the licence of a payment service provider.

(10) The Authority must not refuse an application under subsection (1) without giving the applicant an opportunity to be heard.

(11) A standard payment institution and a major payment institution must, at all times during the currency of its licence, satisfy the minimum capital requirements as may be prescribed and such other financial and operational requirements as the Authority may specify by notice in writing under section 104.

(12) Any standard payment institution or major payment institution which fails to comply with any requirement under subsection (11) shall immediately notify the Authority.

(13) Where a standard payment institution or major payment institution fails to comply with any requirement under subsection (11), the Authority may, by notice in writing to the standard payment institution or major payment institution, as the case may be —
(a) restrict or suspend the operations of the standard payment institution or major payment institution, as the case may be;
(b) give such direction to the standard payment institution or major payment institution, as the case may be, as the Authority considers appropriate, and the standard payment institution or major payment institution must comply with such directions.

(14) Any licensee that without reasonable cause fails to comply with subsection (11) or any condition imposed by the Authority under subsection (6) or (9) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a

continuing offence, to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

Variation of licence

8.—(1) A licensee may apply to the Authority, in such form and manner as may be prescribed, to vary its licence —

(a) by adding or removing one or more types of payment service authorised to be provided by its licence;
(b) from a money-changing licence to a standard payment institution licence;
(c) from a money-changing licence to a major payment institution licence;
(d) from a standard payment institution licence to a money-changing licence;
(e) from a standard payment institution licence to a major payment institution licence;
(f) from a major payment institution licence to a money-changing licence or
(g) from a major payment institution licence to a standard payment institution licence.

(2) The Authority may require an applicant to furnish it with such information or documents as it considers necessary in relation to the application.

(3) An application under subsection (1) must be accompanied by a non-refundable application fee of such amount as may be prescribed, which shall be paid in the manner specified by the Authority.

(4) The Authority may approve an application under subsection (1) subject to such conditions or restrictions as the Authority thinks fit, or may refuse the application.

(5) The Authority must not refuse an application under subsection (1) without giving the applicant an opportunity to be heard.

Holding out as licensee, etc.

9.—(1) No person shall —

(a) hold himself out as carrying on business in providing any type of payment service unless he is a licensee or a person exempt under section 102 in respect of that type of payment service or an exempt person; or
(b) hold himself out as a licensee unless he is licensed under section 7.

(2) Any person that contravenes this section shall be guilty of an offence and shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine not exceeding $12,500 for every day or part of a day during which the offence continues after conviction; or

(b) in any other case, to a fine not exceeding $250,000 and, in the case of a continuing offence, to a further fine not exceeding $25,000 for every day or part of a day during which the offence continues after conviction.

Prohibition against solicitation

10.—(1) A person whether in Singapore or elsewhere who is not a licensee must not, whether by himself or through any person in Singapore, offer or invite, or issue any advertisement containing any offer or invitation to the public or any section of the public in Singapore to provide any type of payment service, whether in Singapore or elsewhere.

(2) For the purposes of subsection (1), in determining whether an offer, invitation or advertisement is made or issued to the public or any section of the public in Singapore, regard shall be had to such considerations as the Authority may prescribe.

(3) Any person who contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine not exceeding $12,500 for every day or part thereof during which the offence continues after conviction; or

(b) in any other case, to a fine not exceeding $250,000 and, in the case of a continuing offence, to a further fine not exceeding $25,000 for every day or part thereof during which the offence continues after conviction.

(4) Any person in Singapore must not, on behalf of a person outside Singapore who is not a licensee, offer or invite, or issue any advertisement containing any offer or invitation to, the public or any section of the public in Singapore to provide any type of payment service, whether in Singapore or elsewhere.

(5) Any person who contravenes sub-section (4) shall be guilty of an offence and shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine not exceeding $12,500 for every day or part thereof during which the offence continues after conviction; or

(b) in any other case, to a fine not exceeding $250,000 and, in the case of a continuing offence, to a further fine not exceeding $25,000 for every day or part thereof during which the offence continues after conviction.

(6) A person whose business it is to publish or to arrange for the publication of advertisements shall not be guilty of an offence under subsection (3) or (5) if he proves that —

(a) he received the advertisement for publication in the ordinary course of his business;

(b) the matters contained in the advertisement were not, wholly or in part, devised or selected by him or by any person under his direction or control; and

(c) he did not know and had no reason for believing that the publication of the advertisement would constitute an offence.

Annual fees of licensees

11.—(1) A licensee must pay to the Authority such prescribed annual fee in the manner that the Authority specifies.

(2) The Authority may prescribe different annual fees for different classes or categories of licensees depending on the type and number of payment services they are licensed to carry on, their volume of transactions and all other factors which the Authority may consider relevant.

(3) The Authority may, where it considers appropriate in a particular case, waive, refund or remit the whole or any part of any annual fee paid or payable to it.

Lapsing, surrender, revocation and suspension of licence

12.—(1) A licence lapses —

(a) if the licensee is wound up or otherwise dissolved, whether in Singapore or elsewhere;

(b) if the licensee is an individual, on the date the licensee dies, becomes mentally incapacitated or has been adjudicated a bankrupt; or

(c) upon the occurrence of such event as may be prescribed.

(2) The Authority may revoke a licence of a licensee if —

(a) it appears to the Authority that the licensee or any of the following persons of the licensee are not fit and proper persons in accordance with the Guidelines on Fit and Proper Criteria:

(i) its officers, partners (where the licensee is a partnership including a limited liability partnership) and employees;

(ii) its substantial shareholders, 12% controllers, 20% controllers and indirect controllers, as defined in section 27(2);

(b) it appears to the Authority that —

(i) the financial standing of the licensee; or

(ii) the manner in which the licensee's business is being conducted,

is not satisfactory;

(c) the licensee is contravening or has contravened any provision of this Act, or any condition or restriction imposed or any notice issued by the Authority under this Act;

(d) the licensee is contravening or has contravened any notice issued by the Authority under the Monetary Authority of Singapore Act (Cap. 186);

(e) it appears to the Authority that the licensee is failing or has failed to satisfy any of its obligations under or arising from —
    (i) this Act; or
    (ii) any notice issued by the Authority under this Act;
(f) the licensee has provided to the Authority any information or document required under this Act that is false or misleading;
(g) it appears to the Authority that the licensee, or any of its officers, partners (where the licensee is a partnership including a limited liability partnership or employees, has not performed its or his or her duties under this Act honestly or fairly;
(h) it appears to the Authority that it would be contrary to the public interest for the licensee to continue its operations;
(i) the licensee fails to pay the annual fee mentioned in section 11(1);
(j) the licensee fails or ceases to carry on business in any type of any payment service for which it is licensed; or
(k) the licensee fails or ceases to have an executive director who is a Singapore citizen or a Singapore permanent resident.

(3) The Authority may, if it considers it desirable to do so —
(a) suspend the licence of a licensee for a specified period instead of revoking the licence under subsection (2); and
(b) at any time —
    (i) extend the suspension for a specified period; or
    (ii) revoke the suspension.

(4) Subject to subsection (5), the Authority must not revoke a licence under subsection (2) or suspend a licence under subsection (3) without giving the licensee an opportunity to be heard.

(5) The Authority may, without giving the licensee an opportunity to be heard, revoke or suspend a licence of a licensee in any of the following circumstances:
(a) the licensee is in the course of being wound up or otherwise dissolved, whether in Singapore or elsewhere;
(b) a receiver, a receiver and manager, a judicial manager or an equivalent person has been appointed, whether in Singapore or elsewhere, for or in respect of any property of the licensee;
(c) where—
    (i) the licensee;
    (ii) any of the licensee's partners, where the licensee is a partnership (including a limited liability partnership);
    (iii) the individual, where the licensee is an individual; or
    (iv) any of the licensee's directors or substantial shareholders as defined in section 27(2), where the licensee is a corporation,

    has been convicted —

(A) whether in Singapore or elsewhere; and
(B) whether before, on or after the date of commencement of this Act,

of an offence involving fraud or dishonesty, or the conviction involved a finding that the licensee, partner, individual, director, or substantial shareholder as the case may be, had acted fraudulently or dishonestly.

(6) A licensee whose licence has lapsed, or is revoked or suspended, must cease to carry on business in any type of payment service from the date it lapses, or the date the revocation or suspension takes effect.

(7) Despite the lapse or revocation of the licence, and unless the Authority otherwise directs, sections 17, 38, 74, 75 and 76 continue to apply in relation to the former licensee in respect of matters that occurred before the lapse or revocation as if it had not occurred.

(8) Any person that contravenes subsection (6) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

(9) A licensee may surrender his licence with a written notice of surrender, in such form as may be specified by the Authority.

(10) Any lapsing, surrender, revocation or suspension of a licence shall not operate so as to —

(a) avoid or affect any agreement, transaction or arrangement relating to the licensee's business in respect of the provision of any payment service, entered into by such licensee, whether the agreement, transaction or arrangement was entered into before or after the lapsing, surrender, revocation, or suspension of the licence, as the case may be;
(b) affect any right, obligation or liability arising under any such agreement, transaction or arrangement.

Right of appeal

13.—(1) Any person who is aggrieved —
(a) by the refusal of the Authority to grant a licence to it; or
(b) by the revocation or suspension of its licence by the Authority,

may, within 30 days after having been informed of the refusal, revocation or suspension, appeal in writing to the Minister whose decision shall be final and shall be given effect to by the Authority.

Exempt persons

14.—(1) Subject to subsection (7), the following persons shall be exempted from the requirement to hold a licence to carry on business in respect of any payment service:

(a) a bank licensed under the Banking Act (Cap. 19);

(b) a merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Cap. 186);

(c) a finance company licensed under the Finance Companies Act (Cap. 108);

(d) a person licensed to carry on the business of issuing credit cards or charge cards in Singapore under section 57B of the Banking Act (Cap. 19); and

(e) such other persons or classes of persons as may be prescribed.

(2) Subject to the provisions of this Act, section 16, 17, 18, 19, 20, 23, and 24 and Division 5 of this Part shall apply, with the necessary modifications, to an exempt person (other than a person referred to in subsection (1)(e)) in respect of its business of providing the relevant payment service as if it is a licensee.

(3) The Authority may, on the application of an exempt person, exempt the exempt person from complying with any of the provisions referred to in subsection (2).

(4) The Authority may prescribe or specify by notice in writing the provisions of this Act that apply to the persons referred to in subsection (1)(e).

(5) An exemption granted under subsection (3) need not be published in the *Gazette*.

(6) The Authority may prescribe or specify in notice in writing such conditions or restrictions as may be imposed on an exempt person in carrying on business in any type of payment service as the Authority thinks fit.

(7) The Authority may withdraw an exemption granted to any person under this section if —

(a) he contravenes any other provision of this Act; or

(b) the Authority considers it necessary in the public interest.

(8) Where the Authority withdraws an exemption granted to any person under this section, the Authority need not give the person an opportunity to be heard.

(9) An exempt person which is aggrieved by the decision of the Authority to withdraw an exemption granted to it under this section may, within 30 days of the decision, appeal in writing to the Minister whose decision shall be final and shall be given effect to by the Authority.

(10) A withdrawal under subsection (7) of an exemption granted to any person shall not operate so as to —

(a) avoid or affect any agreement, transaction or arrangement, relating to any payment service provided by the person, whether the agreement, transaction or arrangement was entered into before or after the withdrawal of the exemption; or

(b) affect any right, obligation or liability arising under any agreement, transaction or arrangement referred to in paragraph (a).

(11) Any exempt person which contravenes any condition or restriction imposed under subsection (6) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $250,000 and, in the case of a continuing offence, to a further fine not exceeding $25,000 for every day or part thereof during which the offence continues after conviction.

(12) The Authority may at any time add to, vary or revoke any of the conditions imposed under this section.

(13) In this section, "relevant payment service" —

(a) in relation to an exempt person under subsection (1)(a) means the following:
  (i) providing account issuance services which is not solely incidental to the conduct of deposit-taking business or banking business under the Banking Act (Cap. 19);
  (ii) providing domestic money transfer services which is not solely incidental to the conduct of deposit-taking business or banking business under the Banking Act (Cap. 19);
  (iii) e-money issuance;
  (iv) providing virtual currency services;

(b) in relation to an exempt person under subsection (1)(b) means the following:
  (i) providing account issuance services which is not solely incidental to the conduct of the business of receiving money on current or deposit account, and the making of advances to customers, as permitted under the Guidelines for Operation of "Merchant" Banks;
  (ii) providing domestic money transfer services which is not solely incidental to the conduct of the business of receiving money on current or deposit account, and the making of advances to customers, as permitted under the Guidelines for Operation of "Merchant" Banks;
  (iii) e-money issuance;
  (iv) providing virtual currency services;

(c) in relation to an exempt person under subsection (1)(c) means the following:
  (i) providing account issuance services which is not solely incidental to the conduct of financing business under the Finance Companies Act (Cap. 108);
  (ii) providing domestic money transfer services which is not solely incidental to the conduct of financing business under the Finance Companies Act (Cap. 108);
  (iii) e-money issuance;
  (iv) providing virtual currency services;

(d) in relation to an exempt person under subsection (1)(d) means the following:

(i) providing account issuance services which is not solely incidental to the business of issuing credit cards or charge cards under the Banking Act (Cap. 19);
(ii) providing domestic money transfer services which is not solely incidental to the business of issuing credit cards or charge cards under the Banking Act (Cap. 19);
(iii) providing cross border money transfer services;
(iv) providing merchant acquisition services;
(v) e-money issuance;
(vi) providing virtual currency services;
(vii) providing money-changing services.

Division 2 – Conduct of business

Subdivision (1) – General

Place of business or registered office of licensee

15.—(1) A licensee must not carry on business in any type of payment service unless —
(a) the licensee has a permanent place of business in Singapore; or
(b) the licensee has a registered office in Singapore.

(2) A licensee must appoint at least one person to be present at the permanent place of business or registered office of the licensee, as the case may be, on the days and at the hours during which the permanent place of business or registered office, as the case may be, is to be accessible to the public to address any queries or complaints from any payment service user who is a customer of the licensee.

(3) A licensee must keep, or cause to be kept, at the permanent place of business or registered office, as the case may be, books of all his or its transactions in relation to any payment service which the person provides.

(4) A licensee must inform the Authority of any change in address of its place of business or registered office in Singapore, as the case may be, within 7 days of such change.

(5) A licensee must not carry on business in providing money-changing services or cross border money transfer services at any additional place of business other than the licensee's place of business referred to in subsection (1) except with the approval of the Authority.

(6) A licensee which intends to commence business in providing money-changing services or cross border money transfer services at any additional place of business must, prior to commencing such business at the additional place of business, apply in writing to the Authority for approval, and the Authority may approve the additional place of business subject to such conditions as it thinks fit.

(7) The Authority may revoke its approval granted under subsection (6) if the licensee breaches any of the conditions imposed on the licensee under that subsection.

(8) The Authority may at any time add to, vary or revoke any condition imposed under this section.

(9) Any licensee who contravenes subsection (2) or (5) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine of $10,000 for every day or part thereof during which the offence continues after conviction.

(10) Where a licensee fails to notify the Authority within the time period specified in subsection (4) of any change in the address of the licensee's place of business or registered office in Singapore, as the case may be, the Authority may impose a late notification fee not exceeding $50 for every day or part thereof that a notification is late, subject to a maximum of $1,500.

Obligation of licensee to notify Authority of certain events

16.—(1) A licensee must notify the Authority as soon as practicable after the occurrence of any of the following events:

(a) any civil or criminal proceeding instituted against the licensee, whether in Singapore or elsewhere;

(b) an event (including an irregularity in any operations of the licensee) that materially impedes or impairs the operations of the licensee;

(c) the licensee is becoming, or is likely to become, insolvent or unable to meet any of its financial, statutory, contractual or other obligations;

(d) any disciplinary action taken against the licensee by any regulatory authority, whether in Singapore or elsewhere, other than the Authority;

(e) any significant change to the regulatory requirements imposed on the licensee by any regulatory authority, whether in Singapore or elsewhere, other than the Authority;

(f) any other event that the Authority may prescribe or specify by notice in writing from time to time.

(2) Subject to subsection (1), a licensee must notify the Authority within 14 days after the occurrence of any of the following events:

(a) any change of any of its executive officers other than a director or the chief executive officer of the licensee;

(b) any other event that the Authority may prescribe or specify by notice in writing from time to time.

(3) Any person that contravenes subsection (1) or (2) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $250,000.

Obligation of licensee to provide information to Authority

17.—(1) Subject to subsection (4), the Authority may, by notice in writing, require any licensee or any person acting on behalf of a licensee to provide to the Authority all such information relating to its business of providing payment services within such period as the Authority may specify in the notice.

(2) Without affecting the generality of subsection (1), the Authority may in the notice issued under that subsection require any person mentioned in subsection (1) to provide —

(a) information relating to —

(i) the operations of the licensee; and

(ii) the pricing of, or other form of consideration for, the payment services offered by the licensee; and

(b) such other information as the Authority may require for the purposes of this Act.

(3) Subject to subsection (4) —

(a) a requirement imposed by the Authority under this section has effect despite any obligation as to secrecy or other restrictions upon the disclosure of information imposed by any rule of law or contract; and

(b) a person that complies with a requirement imposed by the Authority under this section is not to be treated as being in breach of any restriction on the disclosure of the information imposed by any rule of law or contract.

(4) Nothing in this section requires a person to disclose any information subject to legal privilege.

(5) Any person that fails to comply with a notice issued under subsection (1) shall be guilty of an offence and shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $12,500 or to imprisonment for a term not exceeding 1 year or to both and, in the case of a continuing offence, to a further fine not exceeding $1,250 for every day or part of a day during which the offence continues after conviction; or

(b) in any other case, to a fine not exceeding $25,000 and, in the case of a continuing offence, to a further fine not exceeding $2,500 for every day or part of a day during which the offence continues after conviction.

Obligation of licensee to submit periodic reports

18.—(1) A licensee must submit to the Authority such reports or returns relating to its business in such form, manner and frequency as the Authority may specify by notice in writing.

(2) Any person that contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence,

to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

Prohibition against use of unregulated agents

19.—(1) A licensee must not provide any type of payment service in Singapore through an agent unless the agent is a licensee in respect of that type of payment service.

(2) Any licensee that contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

Prohibition against withdrawals of currency from payment accounts which store e-money

20.—(1) Subject to subsection (2), a licensee carrying on business in providing account issuance services must not allow the withdrawal of any currency from the payment account which it issues and which stores e-money.

(2) A licensee carrying on business in providing money-changing services or cross border money transfer services may allow the withdrawal of currency from the payment account which it issues and which stores e-money if —

(a) the payment account is used solely for money-changing services or cross border money transfer services, as the case may be; and

(b) each withdrawal of currency from the payment account is solely for the purpose of the execution of a transaction in respect of money-changing services or cross border money transfer services, as the case may be, by the licensee.

(3) Any licensee that contravenes subsection (1) or (2) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $250,000 and, in the case of a continuing offence, to a further fine not exceeding $25,000 for every day or part of a day during which the offence continues after conviction.

Disapplication of section 14 of the Currency Act

21. Section 14 of the Currency Act (Cap. 69) shall not apply to the issue of e-money.

Subdivision (2) – Major payment institutions

Security

22.—(1) Every major payment institution must maintain with the Authority security of the value of $100,000, or such other amount as may be prescribed, for the due performance of its obligations to a payment service user who is a customer of the major payment institution.

(2) The security referred to in subsection (1) must be —

(a) in the form of a cash deposit;
(b) in the form of a bank guarantee specified by the Authority; or
(c) in such other form as the Authority may, in any particular case, allow.

(3) Where a major payment institution has surrendered its licence, or its licence has lapsed or has been revoked, it shall be lawful for the Authority to enforce the security referred to in subsection (1) to the extent required to pay any sums outstanding and claimed by payment service users who are the customers of the major payment institution.

(4) To avoid doubt, where the security referred to in subsection (1) is provided in the form of a bank guarantee, it shall be lawful for the Authority to call on the bank guarantee for the purposes of subsection (3) notwithstanding that a closure certificate required under subsection (7) has not been submitted to the Authority.

(5) Where a major payment institution has surrendered its license or its licence has lapsed or has been revoked, the Authority must, upon being satisfied that there is no outstanding claim by any payment service user who is the customer of the major payment institution and upon receiving the closure certificate required under subsection (7), release the security or the remainder thereof, as the case may be, to the major payment institution.

(6) Any security furnished by a major payment institution under this section shall not be liable to be attached, sequestered or levied upon for or in respect of any debt or claim whatsoever, and if the major payment institution is declared insolvent or is wound up by an order of the court, the security shall be deemed not to form part of the property of the major payment institution.

(7) A major payment institution must within 45 days, or such longer period as the Authority may allow, of the date on which its licence has been surrendered, lapsed or revoked, submit to the Authority a closure certificate issued by its auditors confirming that –
(a) all moneys received from the payment service users who are the customers of the major payment institution have been received by the intended recipients of such moneys; and
(b) adequate provision has been made to meet any unforeseen liabilities in respect of the major payment institution's business.

Safeguarding of moneys received from customers

23.—(1) A major payment institution who carries on business in any of the following:
(a) providing domestic money transfer services;
(b) providing cross border money transfer services;
(c) providing merchant acquisition services;
(d) e-money issuance; or
(e) any other payment service as may be prescribed;

must ensure that any relevant moneys are —

(i) covered by an undertaking from any full bank and that the bank is to be fully liable to the customer for such moneys;
(ii) covered by a guarantee by any full bank;
(iii) deposited in a trust account with any full bank no later than the next business day following the day on which the major payment institution receives such moneys;
(iv) deposited in a trust account with an authorised custodian prescribed or specified by the Authority no later than the next business day following the day on which the major payment institution receives such moneys; or
(v) invested in any secure, liquid, and low risk assets as the Authority may prescribe, no later than the next business day following the day on which the major payment institution receives such moneys and the assets deposited in a trust account with an authorised custodian prescribed or specified by the Authority.

(2) Where the major payment institution safeguards the relevant moneys in accordance with subsection (1)(iii), (1)(iv) or (1)(v), the major payment institution must record and maintain a separate book entry for each customer in relation to that customer's moneys or assets.

(3) Where the major payment institution safeguards the relevant moneys in accordance with subsection (1)(ii), the major payment institution must ensure that the proceeds of any such guarantee are payable upon insolvency of the major payment institution into a separate account held by the major payment institution which must —

(a) be designated in such a way to show that it is an account which is held for the purpose of safeguarding the relevant moneys in accordance with this section; and
(b) be used only for holding such proceeds on trust for the customers who had provided the relevant moneys to the major payment institution.

(4) All moneys and assets deposited in the accounts referred to in subsection (1)(iii), (1)(iv), (1)(v) and (3) —

(a) shall not be available for payment of the debts of the major payment institution; and
(b) shall not be liable to be paid or taken in execution under an order or a process of any court.

(5) A major payment institution may safeguard any relevant moneys using one or more of the options in subsection (1)(i) to (1)(v).

(6) A major payment institution must notify the Authority in such form or manner as may be specified —

(a) the option referred to in subsection (1) which the major payment institution has chosen to safeguard the relevant moneys;

(b) where the relevant moneys are safeguarded in accordance with subsection (1)(i), (1)(ii) or (1)(iii), the name of the full bank providing the undertaking, guarantee or holding the trust account as the case may be; and

(c) any change to the option referred to in paragraph (a).

(7) The Authority may prescribe that this section applies to any licensee or class of licensees other than a major payment institution.

(8) Any major payment institution that contravenes subsection (1) or (6) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $250,000 and, in the case of a continuing offence, to a further fine not exceeding $25,000 for every day or part of a day during which the offence continues after conviction.

(9) In this section —

"full bank" means any bank holding a licence granted by the Authority under the Banking Act (Cap. 19) which permits the bank to carry on the full range of banking business;

"relevant moneys" —

(a) in relation to subsections (1)(a), (b) or (c) mean moneys received by a major payment institution from its customers for the provision of one or more of the payment services in subsections (1)(a), (b) or (c) and which the major payment institution still holds at the end of each business day;

(b) in relation to subsection 1(d) means the moneys received by a major payment institution from persons, who have an agreement with the major payment institution to be treated as resident in Singapore, in exchange for e-money issued by the major payment institution and which the major payment institution still holds at the end of each business day.

Restrictions on personal accounts which store e-money

24.—(1) A major payment institution carrying on business in providing account issuance services must not —

(a) issue a personal account to an individual which stores e-money in excess of $5,000 per account; and

(b) allow the payment service user of a personal account to transfer e-money out from his personal account (other than a transfer to a personal deposit account) where the transfer would cause the aggregate amount of transfers for the one year period up to and including the day of the proposed transfer to exceed $30,000.

(2) The Authority may by order published in the *Gazette* vary the amount of e-money specified in subsection (1)(a) or (1)(b).

(3) Any major payment institution that contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $250,000 and, in the case of a

continuing offence, to a further fine not exceeding $25,000 for every day or part of a day during which the offence continues after conviction.

(4) In this section —

"personal account" means a payment account which is used as a means of executing payment transactions other than in the course of business;

"personal deposit account" means a deposit account held with a bank in Singapore which is used as a means of executing payment transactions other than in the course of business, and

(a) is a deposit account in the name of the payment service user; or
(b) is a deposit account designated by the payment service user of the payment account.

Powers of Authority to impose interoperability of payment accounts

25.—(1) The Authority may, by notice in writing, direct a major payment institution, an exempt person or a person exempt under section 102 to —

(a) be a participant of a payment system on such terms and conditions as the Authority may consider appropriate; or
(b) enter into an arrangement with the operator of the payment system to achieve interoperability of the payment account with the payment system.

(2) In considering whether to mandate interoperability of any payment account under subsection (1), the Authority must have regard to the following:

(a) whether the interoperability of the payment account with the payment system would be in the interests of the public;
(b) the interests of the current participants and operator of the payment system;
(c) the interests of persons who, in the future, may be required to be a participant in the payment system; and
(d) such other matters as the Authority may consider to be relevant.

Powers of Authority to impose interoperability of payment systems

26.—(1) The Authority may, by notice in writing, impose common standards on a major payment institution, an exempt person, or a person exempt under section 102 operating a payment system on such terms and conditions as the Authority may consider appropriate.

(2) In considering whether to mandate interoperability of any payment systems under subsection (1), the Authority must have regard to the following:

(a) whether the interoperability of the payment systems would be in the interests of the public;
(b) the interests of the major payment institution, the exempt person or person exempt under section 102 on whom the common standards are imposed;

(c) the interests of persons who, in the future, may need to comply with the common standard; and

(d) such other matters as the Authority may consider to be relevant.

(3) In this section, "common standard" means any technical standard or set of technical standards with characteristics or specifications that the Authority may specify by notice in writing in respect of which a payment order is accepted or a payment transaction is processed on the payment system.

Division 3 – Control of Substantial Shareholders and Controllers of Licensees

Application and interpretation of this Division

27.—(1) This Division applies to —

(a) all individuals whether resident in Singapore or not and whether citizens of Singapore or not; and

(b) all entities.

(2) In this Division, unless the context otherwise requires —

"12% controller", in relation to a licensee incorporated in Singapore, means a person, not being a 20% controller, that alone or together with the person's associates —

(a) has an interest in 12% or more of the shares in the licensee incorporated in Singapore; or

(b) is in a position to control 12% or more of the votes in the licensee incorporated in Singapore;

"20% controller", in relation to a licensee incorporated in Singapore, means a person that, alone or together with the person's associates —

(a) has an interest in 20% or more of the shares in the licensee incorporated in Singapore; or

(b) is in a position to control 20% or more of the votes in the licensee incorporated in Singapore;

"arrangement" includes any formal or informal scheme, arrangement or understanding, and any trust whether express or implied;

"indirect controller", in relation to a licensee incorporated in Singapore, means any person, whether acting alone or together with any other person, and whether with or without holding shares or controlling voting power in a licensee incorporated in Singapore —

(a) in accordance with whose directions, instructions or wishes the directors of the licensee incorporated in Singapore are accustomed or under an obligation, whether formal or informal, to act; or

(b) that is in a position to determine the policy of the licensee incorporated in Singapore,

but excludes any person —

(i) who is a director or other officer of a licensee incorporated in Singapore whose appointment has been approved by the Authority; or

(ii) in accordance with whose directions, instructions or wishes the directors of the licensee incorporated in Singapore are accustomed to act by reason only that they act on advice given by the person in the person's professional capacity;

"substantial shareholder" has the same meaning as in section 81 of the Companies Act (Cap. 50);

"voting share" has the same meaning as in section 4(1) of the Companies Act.

(3) In this Division —

(a) a person has an interest in a share if —

(i) the person has or is treated to have an interest in that share under section 7(1A), (1B), (2), (6), (7) to (10) of the Companies Act; or

(ii) the person otherwise has a legal or equitable interest in that share, except an interest disregarded under section 7(9) of the Companies Act;

(b) a reference to the control of a percentage of the votes in a licensee incorporated in Singapore is a reference to the control, whether direct or indirect, of that percentage of the total number of votes that might be cast in a general meeting of the licensee incorporated in Singapore; and

(c) a person (A) is an associate of another person (B) if —

(i) A is the spouse, a parent, remoter lineal ancestor or step‑parent, a son, daughter, remoter issue, stepson or stepdaughter or a brother or sister of B;

(ii) A is a body corporate that is, or a majority of the directors of which are, accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of B;

(iii) A is a person that is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of B;

(iv) A is a subsidiary of B;

(v) A is a body corporate in which B, whether alone or together with other associates of B as described in sub‑paragraphs (ii), (iii) and (iv), is in a position to control 20% or more of the votes in A; or

(vi) A is a person with whom B has an agreement or arrangement, whether oral or in writing and whether express or implied, to act together with respect to

the acquisition, holding or disposal of shares or other interests in, or with respect to the exercise of their votes in relation to, the licensee incorporated in Singapore.

Control of shareholding in licensees

28.—(1) A person must not become —

(a) a substantial shareholder;

(b) a 12% controller;

(c) a 20% controller; or

(d) an indirect controller,

of a licensee incorporated in Singapore without first applying for and obtaining the approval of the Authority.

(2) A person must not enter into any agreement or arrangement, whether oral or in writing and whether express or implied, to act together with any other person with respect to the acquisition, holding or disposal of, or the exercise of rights in relation to, their interests in voting shares of an aggregate of 5% or more of the total votes attached to all voting shares in a licensee incorporated in Singapore, without first applying for and obtaining the approval of the Authority.

(3) Subject to subsection (7), a person that, at any time before the date of commencement of this Act, has entered into any agreement or arrangement mentioned in subsection (2) must not continue to be such a party to such an agreement or arrangement unless the person has, within 6 months after the date or such longer period as the Authority may allow, applied to the Authority for approval to continue to be a party to such an agreement or arrangement.

(4) The Authority may approve an application made by any person under subsection (1), (2) or (3) if the Authority is satisfied that —

(a) having regard to the likely influence of the person, the licensee incorporated in Singapore will or will continue to conduct its business prudently and comply with the provisions of this Act and any of the requirements imposed under other legislation administered by the Authority;

(b) the person is, in accordance with the Guidelines on Fit and Proper Criteria, a fit and proper person to be a substantial shareholder, a 12% controller, a 20% controller or an indirect controller of the licensee incorporated in Singapore; and

it is in the public interest to do so.

(5) Any approval under subsection (4) may be granted to any person subject to such conditions as the Authority may impose, including but not limited to any condition —

(a) restricting the person's disposal or further acquisition of shares or voting power in the licensee incorporated in Singapore; or

(b) restricting the person's exercise of voting power in the licensee incorporated in Singapore,

and the Authority may at any time add to, vary or revoke any condition imposed under this subsection.

(6) Any condition imposed under subsection (5) has effect despite any provision of the Companies Act (Cap. 50) or anything contained in the constitution of the licensee incorporated in Singapore.

(7) Where the Authority refuses an application made by any person under subsection (1), (2) or (3), the person must, within such time as the Authority may specify, take such steps (as soon as practicable after the refusal) that are necessary —

(a) in the case of subsection (1), to cease to be —

(i) a substantial shareholder;

(ii) a 12% controller;

(iii) a 20% controller; or

(iv) an indirect controller,

of the licensee incorporated in Singapore, as the case may be; or

(b) in the case of subsection (2) or (3), to cease to be a party to the agreement or arrangement.

Objection to existing control of licensee

29.—(1) The Authority may serve a written notice of objection on any person mentioned in section 28(1), (2) or (3) if the Authority is satisfied that —

(a) any condition of approval imposed on the person under section 28(5) has not been complied with;

(b) it is no longer in the public interest to allow the person to continue to be —

(i) a party to the agreement or arrangement described in section 28(2) or (3);

(ii) a substantial shareholder of the licensee incorporated in Singapore;

(iii) a 12% controller of the licensee incorporated in Singapore;

(iv) a 20% controller of the licensee incorporated in Singapore; or

(v) an indirect controller of the licensee incorporated in Singapore,

as the case may be;

(c) the person has provided any false or misleading information or document in connection with an application under section 28(1), (2) or (3);

(d) the person is no longer a fit and proper person in accordance with the Guidelines on Fit and Proper Criteria;

(e) having regard to the likely influence of the person, the licensee is no longer likely to conduct its business prudently or to comply with the provisions of this Act; or

(f) it would not have been satisfied as to any of the matters specified in section 28(4) had it been aware, at that time, of circumstances relevant to the person's application under section 28(1), (2) or (3).

(2) Before serving a written notice of objection under subsection (1), the Authority must, unless the Authority decides that it is not practicable or desirable to do so, give the person —

(a) a notice in writing of the Authority's intention to serve the written notice of objection; and

(b) specify a date by which the person may make written representations with regard to the proposed written notice of objection.

(3) The Authority must consider any written representations it receives before the date mentioned in subsection (2)(b) for the purpose of determining whether to issue a written notice of objection.

(4) The Authority must, in any written notice of objection, specify a reasonable period within which the person that has been served the written notice of objection must —

(a) take such steps as are necessary to ensure that the person ceases to be a party to the agreement or arrangement described in section 28(2) or (3), as the case may be;

(b) cease to be —

(i) a substantial shareholder;

(ii) a 12% controller;

(iii) a 20% controller; or

(iv) an indirect controller,

of the licensee incorporated in Singapore, as the case may be; or

(c) comply with such direction as the Authority may make under section 30,

and the person must comply with that notice.

Power to make directions in this Division

30.—(1) If the Authority is satisfied that a person has contravened section 28(1), (2), (3) or (7) or has failed to comply with any condition imposed under section 28(5), or if the Authority has served a written notice of objection under section 29, the Authority may, by notice in writing —

(a) direct the transfer or disposal of all or any of the shares in the licensee incorporated in Singapore held by the person or any of the person's associates (called in this section the specified shares) within such time or subject to such conditions as the Authority considers appropriate;

(b) restrict the transfer or disposal of the specified shares; or

(c) make such other direction as the Authority considers appropriate.

(2) In the case of any direction made under subsection (1)(a) or restriction made under subsection (1)(b), until a transfer or disposal is effected in accordance with the direction or until the restriction on the transfer or disposal is removed, as the case may be —

(a) no voting rights may be exercised in respect of the specified shares unless the Authority expressly permits such rights to be exercised;

(b) no shares of the licensee incorporated in Singapore may be issued or offered (whether by way of rights, bonus or otherwise) in respect of the specified shares unless the Authority expressly permits such issue or offer; and

(c) except in a liquidation of the licensee incorporated in Singapore, no payment may be made by the licensee incorporated in Singapore of any amount (whether by way of dividends or otherwise) in respect of the specified shares unless the Authority expressly authorises such payment.

(3) Subsection (2) has effect despite any provision of the Companies Act (Cap. 50) or anything contained in the constitution of the licensee incorporated in Singapore.

(4) Any offer or issue of shares in contravention of subsection (2)(b) shall be deemed to be null and void, and a person to whom a direction has been issued under subsection (1)(a) or (1)(b) must immediately return those shares to the licensee incorporated in Singapore, upon which the licensee incorporated in Singapore must return to the person any payment received from him in respect of those shares.

(5) Any payment made by the licensee incorporated in Singapore in contravention of subsection (2)(c) shall be deemed to be null and void, and a person to whom a direction has been issued under subsection (1)(a) or (1)(b) must immediately return the payment he has received to the licensee incorporated in Singapore.

Power of Authority to obtain information relating to this Division

31.—(1) The Authority may, by notice in writing, direct a licensee incorporated in Singapore to obtain from any of its shareholders, and to provide to the Authority, any information relating to the shareholder that the Authority may require for the purpose of —

(a) ascertaining or investigating into the control of shareholding or voting power in the licensee incorporated in Singapore; or

(b) exercising any power or function under section 28, 29, 30, 32 or 33.

(2) Without affecting the generality of subsection (1), the notice in subsection (1) may require the licensee incorporated in Singapore to obtain and provide the following information:

(a) whether the shareholder has an interest in any share in licensee incorporated in Singapore as beneficial owner or as trustee;

(b) if the shareholder holds the interest in the share as trustee, to indicate as far as that shareholder is able to —

(i) the person for whom that shareholder holds the interest (either by name or by other particulars sufficient to enable that person to be identified); and

(ii) the nature of that person's interest.

(3) The Authority may, by notice in writing, require any shareholder (X) of a licensee incorporated in Singapore, or any person (Y) that appears from information provided to the Authority under subsection (1) or this subsection to have an interest in any share in the licensee incorporated in Singapore, to provide to the Authority any information relating to X or Y, as the case may be, that the Authority may require for the purpose of —

(a) ascertaining or investigating into the control of shareholding or voting power in the licensee incorporated in Singapore; or

(b) exercising any power or function under section 28, 29, 30, 32 or 33.

(4) Without affecting the generality of subsection (3), the notice in subsection (3) may require X or Y to provide the following information:

(a) whether X or Y holds that interest as beneficial owner or as trustee;

(b) if X or Y holds the interest as trustee, to indicate as far as X or Y can —

(i) the person (Z) for whom X or Y holds the interest (either by name or by other particulars sufficient to enable that person to be identified); and
(ii) the nature of Z's interest;

(c) whether any share or any voting right attached to the share is the subject of an agreement or arrangement described in section 27(3)(c)(vi) or 28(2) or (3), and if so, to give particulars of the agreement or arrangement and the parties to it.

Power to exempt

32.—(1) The Authority may, by order published in the *Gazette*, exempt —

(a) any person or class of persons; or
(b) any class or description of shares or interests in shares,

from section 28, subject to such conditions as may be specified in the order.

(2) Without affecting the generality of subsection (1), the conditions may include —

(a) restricting the person's or class of persons' disposal or further acquisition of shares or voting power in the licensee incorporated in Singapore; or
(b) restricting the person's or class of persons' exercise of voting power in the licensee incorporated in Singapore,

and the Authority may at any time add to, vary or revoke any condition imposed under this section.

Offences, penalties and defences

33.—(1) Any person that contravenes section 28(1)(a) or (b), (2), (3), (7)(a)(i) or (ii), or (b) shall be guilty of an offence and shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $125,000 and, in the case of a continuing offence (if applicable), to a further fine not exceeding $12,500 for every day or part of a day during which the offence continues after conviction; or
(b) in any other case, to a fine not exceeding $250,000 and, in the case of a continuing offence (if applicable), to a further fine not exceeding $25,000 for every day or part of a day during which the offence continues after conviction.

(2) Any person that —

(a) contravenes section 28(1)(c) or (d), (7)(a)(iii) or (iv) or 30(2);
(b) fails to comply with —
(i) any notice given under section 29(4), 30(1) or 31; or
(ii) any condition imposed under section 28(5); or
(c) in purported compliance with a notice under section 31, knowingly or recklessly provides any information or document that is false or misleading in a material particular,

shall be guilty of an offence.

(3) Any person convicted of an offence under subsection (2) shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence (if applicable), to a further fine not exceeding $12,500 for every day or part of a day during which the offence continues after conviction; or

(b) in any other case, to a fine not exceeding $250,000 and, in the case of a continuing offence (if applicable), to a further fine not exceeding $25,000 for every day or part of a day during which the offence continues after conviction.

(4) Where a person is charged with an offence in respect of a contravention of section 28(1), (2), (3) or (7), it is a defence for the person to prove that —

(a) the person was not aware that the person had contravened section 28(1), (2), (3) or (7), as the case may be; and

(b) within 14 days after becoming aware of the contravention, the person —

(i) notified the Authority of the contravention; and

(ii) within such time as may be determined by the Authority, took such action in relation to the person's shareholding or control of the voting power in the licensee incorporated in Singapore as the Authority may direct.

(5) Where a person is charged with an offence in respect of a contravention of section 28(1), it is also a defence for the person to prove that, even though the person was aware of the contravention —

(a) the contravention occurred as a result of an increase in the shareholding as described in section 27(3)(a) of, or in the voting power controlled by, any of the person's associates described in section 27(3)(c)(i) of;

(b) the person had no agreement or arrangement, whether oral or in writing and whether express or implied, with that associate with respect to the acquisition, holding or disposal of shares or other interests in, or under which they act together in exercising their voting power in relation to, the licensee incorporated in Singapore; and

(c) within 14 days after the date of the contravention, the person —

(i) notified the Authority of the contravention; and

(ii) within such time as may be determined by the Authority, took such action in relation to the person's shareholding or control of the voting power in the licensee incorporated in Singapore as the Authority may direct.

(6) Except as provided in subsections (4) and (5), it is not a defence for a person charged with an offence in respect of a contravention of section 28(1), (2), (3) or (7) to prove that the person did not intend to or did not knowingly contravene that provision.

Appeals

34. Any person that is aggrieved by a decision of the Authority under section 28, 29 or 30 may, within 30 days after receiving the decision of the Authority, appeal in writing to the Minister whose decision shall be final and shall be given effect to by the Authority.

Division 4 – Control of Officers of Licensees

Approval of chief executive officers, partners and directors of licensees

35.—(1) Subject to subsection (3), a licensee must not appoint an individual as its chief executive officer, director or partner (where the licensee is a partnership, including a limited liability partnership), as the case may be, in Singapore unless it has applied for and obtained the approval of the Authority.

(2) An application for approval under subsection (1) shall be made in such form and manner as the Authority may prescribe.

(3) Without affecting any other matter that the Authority may consider relevant, the Authority may —

(a) in determining whether to grant its approval under paragraph (b), have regard to such criteria as may be specified by notice in writing to the licensee; and

(b) approve or refuse the application.

(4) Where a licensee has obtained the approval of the Authority to appoint an individual as its chief executive officer or director under subsection (3)(b), the person may, without the approval of the Authority, be re‑appointed as chief executive officer or director (as the case may be) of the a licensee immediately upon the expiry of the individual's term of appointment.

(5) Subject to subsection (6), the Authority must not refuse an application for approval of an individual under subsection (1) without giving the licensee an opportunity to be heard.

(6) The Authority may refuse an application for approval of an individual under subsection (1) without giving the licensee an opportunity to be heard in any of the following circumstances:

(a) if the individual has been convicted, whether in Singapore or elsewhere, of an offence committed before, on or after the date of commencement of this Act, being an offence —

(i) involving fraud or dishonesty;

(ii) the conviction for which involved a finding that he or she had acted fraudulently or dishonestly; or

(iii) that is specified in the Third Schedule to the Registration of Criminals Act (Cap. 268);

(b) if the individual is an undischarged bankrupt, whether in Singapore or elsewhere;

(c) if the individual has had execution against him or her in respect of a judgment debt returned unsatisfied in whole or in part;

(d) if the individual has, whether in Singapore or elsewhere, entered into a compromise or scheme of arrangement with his or her creditors, being a compromise or scheme of arrangement that is still in operation;

(e) if the individual has had a prohibition order under section 59 of the Financial Advisers Act (Cap. 110), section 35V of the Insurance Act (Cap. 142) or section 101A of the Securities and Futures Act (Cap. 289) made against him or her that is still in force;

(f) if the individual has been a director of, or directly concerned in the management of, a regulated financial institution, whether in Singapore or elsewhere —

(i) that is being or has been wound up by a court; or

(ii) the approval, authorisation, designation, recognition, registration or licence of which has been withdrawn, cancelled or revoked by the Authority or, in the case of a regulated financial institution in a foreign country or territory, by the regulatory authority in that foreign country or territory.

(7) Where the Authority refuses an application for approval under subsection (3)(b), the Authority need not give the individual who was proposed to be appointed an opportunity to be heard.

(8) Any licensee that, without reasonable excuse, contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000.

(9) In this section and section 36, unless the context otherwise requires —

"regulated financial institution" means a person that carries on a business, the conduct of which is regulated or authorised by the Authority or, if it is carried on in Singapore, would be regulated or authorised by the Authority;

"regulatory authority", in relation to a foreign country or territory, means an authority of the foreign country or territory exercising any function that corresponds to a regulatory function of the Authority under this Act, the Monetary Authority of Singapore Act (Cap. 186) or any of the written laws set out in the Schedule to that Act.

Removal of chief executive officers, partners or directors of licensees

36.—(1) Despite the provisions of any other written law, where the Authority is satisfied that a chief executive officer, director, or partner of a licensee incorporated, formed or registered in Singapore, is not a fit and proper person to act as such chief executive officer, director or partner, the Authority may, by notice in writing, direct the licensee to remove —

(a) the chief executive officer from employment with the licensee;

(b) the director as director of the licensee; or

(c) the partner as partner of the licensee,

within such period as the Authority may specify in the notice.

(2) Without affecting any other matter that the Authority may deem relevant, in assessing whether to direct the licensee incorporated, formed or registered in Singapore to remove its chief executive officer or director, or partner under subsection (1), the Authority may consider whether the chief executive officer, director or partner —

(a) has been convicted, whether in Singapore or elsewhere, of an offence committed before, on or after the date of commencement of this Act, being an offence —
  (i) involving fraud or dishonesty;
  (ii) the conviction for which involved a finding that he had acted fraudulently or dishonestly; or
  (iii) that is specified in the Third Schedule to the Registration of Criminals Act (Cap. 268);
(b) is an undischarged bankrupt, whether in Singapore or elsewhere;
(c) has had execution against him in respect of a judgment debt returned unsatisfied in whole or in part;
(d) has, whether in Singapore or elsewhere, entered into a compromise or scheme of arrangement with his creditors, being a compromise or scheme of arrangement that is still in operation;
(e) has had a prohibition order under section 59 of the Financial Advisers Act (Cap. 110), section 35V of the Insurance Act (Cap. 142) or section 101A of the Securities and Futures Act (Cap. 289) made against him that remains in force;
(f) has been a director of, or directly concerned in the management of, a regulated financial institution, whether in Singapore or elsewhere —
  (i) which is being or has been wound up by a court; or
  (ii) the approval, authorisation, designation, recognition, registration or licence of which has been withdrawn, cancelled or revoked by the Authority or, in the case of a regulated financial institution in a foreign country or territory, by the regulatory authority in that foreign country or territory;
(g) has wilfully contravened or wilfully caused the licensee to contravene any provision of this Act;
(h) has, without reasonable excuse, failed to secure the compliance of the licensee with this Act, the Monetary Authority of Singapore Act (Cap. 186) or any of the written laws set out in the Schedule to that Act;
(i) has failed to discharge any of the duties of his or her office or employment; or
(j) needs to be removed in the public interest.

(3) Subject to subsection (4), before directing a licensee incorporated in Singapore to remove its chief executive officer, director, or partner under subsection (1), the Authority must give –
(a) the licensee; and
(b) the individual concerned,

an opportunity to be heard.

(4) The Authority may direct a licensee incorporated in Singapore to remove a person from his office or employment under subsection (1) on any of the following grounds without giving the licensee an opportunity to be heard:
(a) the person is an undischarged bankrupt, whether in Singapore or elsewhere;
(b) the person has been convicted, whether in Singapore or elsewhere, of an offence committed before, on or after the date of commencement this Act —
  (i) involving fraud or dishonesty, or the conviction for which involved a finding that he had acted fraudulently or dishonestly; and

(ii) punishable with imprisonment for a term of 3 months or more.

(5) Without affecting the Authority's power to impose conditions under section 7(6), the Authority may at any time, by notice in writing to a licensee incorporated in Singapore impose a condition requiring the licensee to notify the Authority of a change to any specified attribute (such as residence and nature of appointment) of its chief executive officer, director, or partner and vary any such condition.

(6) Any licensee incorporated in Singapore that, without reasonable excuse —

(a) fails to comply with a direction under subsection (1); or

(b) contravenes any condition imposed under subsection (5),

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000.

(7) No criminal or civil liability shall be incurred by a licensee, or any person acting on behalf of the licensee, in respect of anything done (including any statement made) or omitted to be done with reasonable care and in good faith in the discharge or purported discharge of the obligations of the licensee under this section.

Appeals

37.—(1) A licensee incorporated in Singapore that is aggrieved by the decision of the Authority under section 35(3)(b) may, within 30 days after receiving the decision of the Authority, appeal in writing to the Minister whose decision shall be final and shall be given effect to by the Authority.

(2) A licensee incorporated in Singapore, or any chief executive officer, director or partner of the licensee incorporated, formed or registered in Singapore, that is aggrieved by a direction of the Authority under section 36(1) may, within 30 days after receiving the direction, appeal in writing to the Minister whose decision shall be final and shall be given effect to by the Authority.

Division 5 – Audit of Licensees

Auditing

38.—(1) Despite the provisions of the Companies Act (Cap. 50), a licensee —

(a) must, on an annual basis and at its own expense, appoint an auditor; and

(b) if for any reason its auditor ceases to be its auditor, appoint another auditor as soon as practicable after such cessation.

(2) The Authority may appoint an auditor —

(a) if the licensee fails to appoint an auditor; or

(b) if the Authority considers it desirable that another auditor should act with the auditor appointed under subsection (1),

and may at any time fix the remuneration to be paid by the licensee to the auditor the Authority appoints.

(3) The duties of an auditor appointed under subsection (1) or (2) are —

(a) to carry out, for the year in respect of which the auditor is appointed, an audit of the accounts of the licensee;

(b) to carry out an audit of the transactions in relation to the payment services provided by the licensee, in particular, in respect of their observance of the provisions of this Act and any of the requirements imposed under other legislation administered by the Authority;

(c) to submit a report of the audit to the Authority in such form and within such time as may be prescribed or such time as the Authority may allow; and

(d) to —

(i) in the case of a licensee incorporated in Singapore, make a report on the financial statements or consolidated financial statements of the licensee in accordance with section 207 of the Companies Act; or

(ii) in the case of a licensee incorporated outside Singapore, make a report on its latest annual balance sheet and profit and loss account together with any notes thereon showing the assets and liabilities and profit or loss arising out of the operations of the licensee in Singapore which complies with section 207 of the Companies Act.

(4) The Authority may, by notice in writing to an auditor, impose all or any of the following duties on the auditor in addition to those provided under subsection (3), and the auditor must carry out the duties so imposed:

(a) a duty to submit such additional information in relation to the audit as the Authority considers necessary;

(b) a duty to enlarge or extend the scope of the audit of the business and affairs of the licensee, as the case may be;

(c) a duty to carry out any other examination, or establish any procedure, in relation to the audit in any particular case;

(d) a duty to submit a report on any of the matters mentioned in paragraphs (b) and (c).

(5) The licensee must remunerate the auditor in respect of —

(a) such remuneration the Authority has fixed under subsection (2); and

(b) the discharge of all or any of the additional duties of the auditor imposed under subsection (4).

(6) Despite any other provision of this Act or the provisions of the Companies Act, the Authority may at any time direct the licensee to —

(a) remove the auditor of the licensee; and

(b) appoint another auditor,

if the Authority is not satisfied with the performance of any duty by the auditor.

(7) The auditor's report made under subsection (3)(d) must be attached to the balance-sheet and the profit and loss account, financial statements or consolidated financial statements of the

licensee, and a copy of the report, together with any report submitted under subsection (4), must be submitted in writing to the Authority.

(8) If an auditor, in the course of performing the auditor's duties, is satisfied that —

(a) there has been a serious breach or non-observance of the provisions of this Act or any of the requirements imposed under other legislation administered by the Authority;

(b) a criminal offence involving fraud or dishonesty has been committed;

(c) losses have been incurred that reduce the capital of the licensee by 50% or more;

(d) any irregularity that has or may have a material effect upon the accounts of the licensee, including irregularities that had caused a major disruption on the provision of any type of payment services to the customers of the licensee; or

(e) the auditor is unable to confirm that the claims of creditors of the licensee are still covered by the assets of the licensee,

the auditor must immediately report the matter to the Authority.

(9) Where an auditor or employee of the auditor discloses in good faith to the Authority —

(a) the auditor's or employee's knowledge or suspicion of any of the matters mentioned in subsection (8); or

(b) any information or other matter on which that knowledge or suspicion is based,

the disclosure is not a breach of any restriction upon the disclosure imposed by any law, contract or rules of professional conduct, and the auditor or employee is not liable for any loss arising out of the disclosure or any act or omission in consequence of the disclosure.

(10) Any licensee that contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

(11) Any auditor that contravenes subsection (4) or (8) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

(12) In this section, "consolidated financial statements" and "financial statements" have the same meanings as in section 209A of the Companies Act.

Powers of auditor appointed by Authority

39.—(1) An auditor appointed by the Authority under section 38(2) may, for the purpose of carrying out an examination or audit —

(a) examine, on oath or affirmation, any officer or employee of the licensee or any other auditor of the licensee;

(b) require any officer or employee of the licensee, or any other auditor of the licensee, to produce any books held by or on behalf of the licensee relating to its business;
(c) make copies of or take extracts from, or retain possession of, any books mentioned in paragraph (b) for such period as may be necessary to enable them to be inspected;
(d) employ such persons as the auditor considers necessary to assist the auditor in carrying out the examination or audit; and
(e) authorise in writing any person employed by the auditor to do, in relation to the examination or audit, any act or thing that the auditor could do as an auditor under this subsection, other than the examination of a person on oath or affirmation.

(2) Any individual who, without reasonable excuse —
(a) refuses or fails to answer any question put to him or her; or
(b) fails to comply with any request made to him or her,
by an auditor appointed under section 38(2) or a person authorised under subsection (1)(e) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $12,500 or to imprisonment for a term not exceeding 12 months or to both.

Restriction on auditor's and employee's right to communicate certain matters

40.—(1) Except as may be necessary for the carrying into effect of the provisions of this Act or so far as may be required for the purposes of any legal proceedings, whether civil or criminal —
(a) an auditor appointed under section 38(1) or (2); or
(b) any employee of such auditor,
must not disclose any information that comes to the auditor's or employee's knowledge in the course of performing the auditor's or employee's duties, to any person other than the Authority, or in the case of an employee of such auditor, the auditor.

(2) Any person that contravenes this section shall be guilty of an offence and shall be liable on conviction —
(a) in the case of the auditor, to a fine not exceeding $25,000; or
(b) in the case of the employee, to a fine not exceeding $12,500.

Offence to destroy, conceal, alter, etc. records

41.—(1) Any individual who, with intent to prevent, delay or obstruct the carrying out of any examination or audit under section 38 or 39 —
(a) destroys, conceals or alters any book relating to the business of a licensee; or
(b) sends, or conspires with any other person to send, out of Singapore, any book or asset of any description belonging to, in the possession of or under the control of the licensee,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both.

(2) If, in any proceedings for an offence under subsection (1), it is proved that the individual charged with the offence —

(a) destroyed, concealed or altered any book mentioned in subsection (1)(a); or

(b) sent, or conspired to send, out of Singapore, any book or asset mentioned in subsection (1)(b),

the onus of proving that, in so doing, the individual did not act with intent to prevent, delay or obstruct the carrying out of an examination or audit under section 38 or 39 lies on him or her.

PART 3

PAYMENT SYSTEMS

Division 1 – Information gathering powers over Payment Systems

Provision of information to the Authority

42.—(1) The Authority may, by notice in the form and manner prescribed, require –

(a) any participant;

(b) any operator or any person acting on behalf of an operator; or

(c) any settlement institution,

of a payment system to provide to the Authority, within a reasonable period specified in the notice, all such information relating to the payment system as may be required by the Authority.

(2) Without affecting the generality of subsection (1), the Authority may in a notice issued under that subsection require any person referred to in paragraph (a), (b) or (c) of subsection (1) to provide, whether in the form of a return to be provided on a periodic basis or otherwise –

(a) information relating to –

(i) the operation of the payment system; and

(ii) the pricing of, or other form of consideration for, the services offered by the payment system;

(b) information relating to the participation or other involvement of that person in the payment system; and

(c) such other information as the Authority may require for the purposes of this Act.

(3) Subject to subsection (5), any person to whom a notice is issued under subsection (1) must comply with the notice.

(4) Any person who fails to comply with a notice issued under subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 or to imprisonment for a term not exceeding 2 years or to both, and in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part thereof during which the offence continues after conviction.

(5) A person to whom a notice is issued under subsection (1) is not obliged to disclose any information where he is prohibited by any written law from disclosing such information.

Division 2 – Designation of Payment Systems

Power of Authority to designate payment systems

43.—(1) The Authority may, by order published in the *Gazette*, designate a payment system as a designated payment system for the purposes of this Act, if the Authority is satisfied that —

(a) a disruption in the operations of the payment system could trigger, cause or transmit further disruption to participants or systemic disruption to the financial system of Singapore;

(b) a disruption in the operations of the payment system could affect public confidence in payment systems or the financial system of Singapore;

(c) where the payment system is widely used in Singapore or its operations may have an impact on the operation of one or more payment systems in Singapore, it is necessary to ensure efficiency or competitiveness in any of the services provided by the operator of the payment system; or

(d) it is otherwise in the interests of the public to do so.

(2) Any order made under subsection (1) shall continue to have effect until it is withdrawn by the Authority and the order must —

(a) in the case of a payment system designated under subsection (1)(a), (b) and (d), identify the operator and the settlement institution of the designated payment system, and

(b) in the case of a payment system designated under subsection (1)(c), state that it is designated under subsection (1)(c) and identify the operator of the designated payment system.

(3) An operator or a settlement institution who is aggrieved by a decision of the Authority to designate the payment system as a designated payment system may, within 30 days after the order is published in the *Gazette*, appeal in writing to the Minister whose decision shall be final.

(4) Notwithstanding the lodging of an appeal under subsection (3), the designation by the Authority under this section continues to have effect pending the decision of the Minister.

(5) The Minister may, when deciding an appeal under subsection (3), direct that the Authority must not designate the payment system as a designated payment system, and such direction takes effect from the date of the decision of the Minister.

Prohibition on holding out as designated payment system

44.—(1) A person must not hold himself out as the operator or settlement institution of a designated payment system unless the payment system has been designated by the Authority under section 43.

(2) Any person who contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 or to imprisonment for a term not exceeding 2 years or to both and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part thereof during which the offence continues after conviction.

Power of Authority to impose conditions or restrictions

45.—(1) The Authority may, by notice in writing, impose on a participant, an operator or a settlement institution of a designated payment system such conditions or restrictions as the Authority may think fit.

(2) The Authority may, at any time, by notice in writing to a participant, an operator or a settlement institution of the designated payment system, vary any condition or restriction as the Authority may think fit.

(3) Without affecting the generality of subsection (1) or (2), the conditions or restrictions that the Authority may impose include conditions or restrictions relating to any of the following—

(a) the activities that the operator or settlement institution of the designated payment system may undertake;
(b) standards to be maintained by the operator or settlement institution of the designated payment system, as the case may be, and
(c) the requirement for the operator or settlement institution of the designated payment system to operate as a corporation.

(4) Any participant, operator or settlement institution of a designated payment system which fails to comply with any condition or restriction imposed under subsection (1) or (2) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part thereof during which the offence continues after conviction.

Withdrawal of designation of payment system

46.—(1) The Authority may, by order published in the *Gazette*, withdraw the designation of any designated payment system at any time if the Authority is of the opinion that the considerations in section 43(1) are no longer valid or satisfied.

(2) The Authority must not withdraw the designation of any designated payment system without giving the operator and the settlement institution an opportunity to be heard.

Exemptions applicable to an operator, participant and settlement institution of a payment system designated to ensure efficiency or competitiveness

47.—(1) Section 51, Divisions 4 to 8 of this Part and Part 5 shall not apply to an operator of a designated payment system that is designated under section 43(1)(c).

(2) Division 4 of this Part shall not apply to a participant of a designated payment system that is designated under section 43(1)(c).

(3) Section 45, 104, 105, Divisions 3 to 8 of this Part and Parts 4 to 5 shall not apply to a settlement institution of a designated payment system designated under section 43(1)(c).

Division 3 – Obligations of Operators and Settlement Institutions of Designated Payment Systems

Obligation of operator and settlement institution to have a place of business or registered office

48.—(1) An operator and settlement institution of a designated payment system must, within 14 days after the date the order in section 43(1) is published in the *Gazette* or such longer period as the Authority may specify by notice in writing, establish a permanent place of business or a registered office in Singapore.

(2) An operator or settlement institution must appoint a person to be present at the permanent place of business or registered office, as the case may be, of the operator or settlement institution, as the case may be, on the days and at the hours during which the permanent place of business or registered office is to be accessible to the public to address any queries or complaints from any customer of the operator or settlement institution.

(3) An operator and settlement institution must keep, or cause to be kept, at the permanent place of business or registered office, as the case may be, books of all its transactions in relation to the designated payment system.

(4) The operator or settlement institution of the designated payment system must notify the Authority of any change in address of its place of business or registered office within 14 days of such change or such longer period as the Authority may specify by notice in writing.

(5) Any person who contravenes subsection (1) or (2) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part thereof during which the offence continues after conviction.

Obligation of operator and settlement institution to notify Authority of certain events

49.—(1) An operator and a settlement institution of a designated payment system must notify the Authority as soon as practicable after the occurrence of any of the following events:

(a) an intention to make a material change to the nature of the operating rules, settlement procedures or activities of the designated payment system;
(b) an event or irregularity that impedes or prevents access to, or impairs the usual operations of the designated payment system or its settlement operations, as the case may be;
(c) any material function of the operator or the settlement institution that is outsourced;
(d) any civil or criminal proceeding instituted against the operator or the settlement institution, whether in Singapore or elsewhere;
(e) the operator or settlement institution is becoming, or is likely to become, insolvent or unable to meet any of its financial, statutory, contractual or other obligations;
(f) any disciplinary action taken against the operator or settlement institution, as the case may be, by any regulatory authority, whether in Singapore or elsewhere, other than the Authority;
(g) any significant change to the regulatory requirements imposed on the operator or settlement institution, as the case may be, by any regulatory authority, whether in Singapore or elsewhere, other than the Authority;
(h) any other event that the Authority may prescribe or specify by notice in writing from time to time.

(2) Without affecting subsection (1), an operator and a settlement institution of a designated payment system must notify the Authority within 14 days after the occurrence of any of the following events:

(a) any change of any of its executive officers other than a director or the chief executive officer of the operator or settlement institution of a designated payment system;
(b) any other event that the Authority may prescribe or specify by notice in writing from time to time.

(3) Any person that contravenes subsection (1) or (2) shall be an offence and shall be liable on conviction to a fine not exceeding $250,000.

Obligation of operator to submit periodic reports

50.—(1) An operator of a designated payment system must submit to the Authority such reports or returns in such form, manner and frequency as the Authority may specify by notice in writing.

(2) Any person that contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $250,000 and, in the case of a continuing offence, to a further fine not exceeding $25,000 for every day or part of a day during which the offence continues after conviction.

Obligation of operator to notify Authority of businesses and acquisition of corporations

51.—(1) An operator of a designated payment system must notify the Authority as soon as practicable after the occurrence of any of the following events:

(a) the carrying on of any business by the operator of the designated payment system other than —

(i) the business of operating a payment system;

(ii) a business incidental to operating a payment system; or

(iii) such business or class of businesses as the Authority may prescribe;

(b) the acquisition by the operator of the designated payment system of a substantial shareholding in a corporation which does not carry on —

(i) the business of operating a payment system;

(ii) a business incidental to operating a payment system; or

(iii) such business or class of businesses as the Authority may prescribe.

(2) An operator of a designated payment system must, within 2 months after the designation of the payment system, notify the Authority of its substantial shareholding in a corporation which does not carry on —

(a) the business of operating a payment system;

(b) a business incidental to operating a payment system; or

(c) such business or class of businesses as the Authority may prescribe.

(3) Without affecting the generality of section 104(1), the Authority may, at any time after receiving the notification referred to in subsection (1) or (2), issue directions to the operator of the designated payment system —

(a) where the notification relates to a matter referred to in subsection (1)(a) —

(i) to cease carrying on the first-mentioned business referred to in subsection (1)(a); or

(ii) to carry on the first-mentioned business referred to in subsection (1)(a) on such conditions or restrictions as the Authority may impose, if the Authority is of the opinion that this is necessary for any of the purposes referred to in section 104(1); or

(b) where the notification relates to a matter referred to in subsection (1)(b) or (2) —

(i) to dispose of the shareholding referred to in subsection (1)(b) or (2); or

(ii) to exercise its rights relating to such shareholding on such conditions or restrictions as the Authority may impose, if the Authority is of the opinion that this is necessary for any of the purposes referred to in section 104(1),

and the operator of the designated payment system must comply with such directions.

(4) Any person who contravenes subsection (1) or (2) or any direction issued by the Authority under subsection (3) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $250,000 and, in the case of a continuing offence, to a further fine not exceeding $25,000 for every day or part thereof during which the offence continues after conviction.

Division 4 – Access Regime

Power of Authority to impose access regime

52.—(1) The Authority may, by order published in the *Gazette*, impose an access regime in respect of a payment system on the person who determines access to the payment system, regardless of whether he is a participant, an operator or a settlement institution of the payment system, on such terms and conditions as the Authority may consider appropriate.

(2) In considering whether to impose an access regime under subsection (1), the Authority must have regard to —

(a) whether the imposition of the access regime in respect of the payment system would be in the interests of the public;
(b) the interests of the current participants, operator and settlement institution of the payment system;
(c) the interests of persons who, in the future, may require or desire access to the payment system; and
(d) such other matters as the Authority may consider to be relevant.

(3) The Authority, in imposing an access regime under subsection (1), must ensure that the access regime is fair and not discriminatory.

Variation of access regime

53.—(1) The Authority may, by order published in the *Gazette*, vary an access regime which has been imposed in respect of a payment system under section 52, on such terms and conditions as the Authority may consider appropriate.

(2) In considering whether to vary an access regime under subsection (1), the Authority must have regard to the following:

(a) whether variation of the access regime in respect of the payment system would be in the interests of the public;
(b) the interests of the current participants, operator and settlement institution of the payment system;
(c) the interests of persons who, in the future, may require or desire access to the payment system; and
(d) such other matters as the Authority may consider to be relevant.

Cessation and revocation of access regime

54.—(1) An access regime in respect of a payment system must cease to be in force if —

(a) the order imposing or varying the access regime under section 52(1) or 53(1), as the case may be, provides for an expiry date and that date is reached;
(b) the Authority revokes the access regime under subsection (2); or
(c) the payment system concerned ceases to exist or operate.

(2) The Authority may, by order published in the *Gazette*, revoke an access regime if the Authority considers it appropriate to do so.

(3) In considering whether to revoke an access regime under subsection (2), the Authority must have regard to the following:

(a) whether the revocation of the access regime would be in the interests of the public;

(b) the interests of the current participants, operator and settlement institution of the payment system;

(c) the interests of persons who, in the future, may require or desire access to the payment system; and

(d) such other matters as the Authority may consider to be relevant.

Right to apply to High Court in respect of access regime

55.—(1) If a person has been denied access to a payment system by the person who determines access to the payment system, regardless of whether he is a participant, an operator or a settlement institution of the payment system, in contravention of a term or condition of the access regime that has been imposed under section 52(1) or 53(1), he may apply to the High Court for an order under subsection (2).

(2) An applicant for an order under subsection (1) must give to the Authority notice in writing of the application together with a copy of the application, and the Authority may apply to the High Court to be joined as a party to the proceedings.

(3) If the High Court is satisfied that the person who determines access to a payment system, regardless of whether he is a participant, an operator or a settlement institution of the payment system, has contravened a term or condition of the access regime, the High Court may make —

(a) an order directing the participant, operator or settlement institution, as the case may be, to comply with that term or condition of the access regime;

(b) an order directing the participant, operator or settlement institution, as the case may be, to compensate any person who has suffered loss or damage as a result of the contravention; or

(c) such other order as the High Court thinks fit.

(4) The High Court may, upon an application by any person having a sufficient interest, or on its own motion, discharge or vary any order made under this section but no discharge or variation of any order must be made by the High Court unless a reasonable opportunity has been given for the Authority to make representations to the High Court.

Division 5 – Voluntary Transfer of Business

Interpretation of this Division

56. In this division, unless the context otherwise requires —

"business" includes affairs, property, right, obligation and liability;

"Court" means the High Court or a Judge thereof;

"debenture" has the same meaning as in section 4(1) of the Companies Act (Cap. 50);

"property" includes property, right and power of every description;

"Registrar of Companies" means the Registrar of Companies appointed under the Companies Act and includes any Deputy or Assistant Registrar of Companies appointed under that Act;

"transferee" means a person who is carrying on, or who intends to carry on, in Singapore the usual business of an operator or a settlement institution of a designated payment system, to which the whole or any part of a transferor's business is, is to be or is proposed to be transferred under section 57(1);

"transferor" means an operator or a settlement institution of a designated payment system the whole or any part of the business of which is, is to be, or is proposed to be transferred under section 57(1).

Voluntary transfer of business

57.—(1) A transferor may transfer the whole or any part of its business (including any business that is not the usual business of an operator or a settlement institution of a designated payment system) to a transferee, if —

(a) the Authority has consented to the transfer;

(b) the transfer involves the whole or any part of the business of the transferor that is the usual business of an operator or a settlement institution of a designated payment system; and

(c) the Court has approved the transfer.

(2) Subsection (1) does not affect the right of an operator or a settlement institution of a designated payment system to transfer the whole or any part of its business under any law and subsection (1) does not apply to such transfer.

(3) The Authority may consent to a transfer under subsection (1)(a) if the Authority is satisfied that —

(a) the transferee is a fit and proper person in accordance with the Guidelines on Fit and Proper Criteria; and

(b) the transferee will conduct the business of the transferor prudently and comply with the provisions of this Act.

(4) The Authority may at any time appoint one or more persons to perform an independent assessment of, and furnish a report on, the proposed transfer of a transferor's business (or any part thereof) under subsection (1).

(5) The remuneration and expenses of any person appointed under subsection (4) must be paid by the transferor and the transferee jointly and severally.

(6) The Authority must serve a copy of any report furnished under subsection (4) on the transferor and the transferee.

(7) The Authority may require a person to furnish, within the period and in the manner specified by the Authority, any information or document that the Authority may reasonably require for the discharge of its duties or functions, or the exercise of its powers, under this section and section 58.

(8) Any person who —

(a) without reasonable excuse, fails to comply with any requirement under subsection (7); or

(b) in purported compliance with any requirement under subsection (7), knowingly or recklessly furnishes any information or document that is false or misleading in a material particular,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine not exceeding $12,500 for every day or part thereof during which the offence continues after conviction.

(9) Where a person claims, before furnishing the Authority with any information or document that he is required to furnish under subsection (7), that the information or document might tend to incriminate him, the information or document shall not be admissible in evidence against him in criminal proceedings other than proceedings under subsection (8).

Approval of transfer

58.—(1) A transferor must apply to the Court for its approval of the transfer of the whole or any part of the business of the transferor to the transferee under section 57(1).

(2) Before making an application under subsection (1) —

(a) the transferor must lodge with the Authority a report setting out such details of the transfer and furnish such supporting documents as the Authority may specify;

(b) the transferor must obtain the consent of the Authority under section 57(1)(a);

(c) the transferor and the transferee must, if they intend to serve on their respective customers a summary of the transfer, obtain the Authority's approval of the summary;

(d) the transferor must, at least 15 days before the application is made but not earlier than one month after the report referred to in paragraph (a) is lodged with the Authority, publish in the *Gazette* and in such newspaper or newspapers as the Authority may determine a notice of the transferor's intention to make the application and containing such other particulars as may be prescribed;

(e) the transferor and the transferee must keep at their respective offices in Singapore, for inspection by any person who may be affected by the transfer, a copy of the report referred to in paragraph (a) for a period of 15 days after the publication of the notice referred to in paragraph (d) in the *Gazette*; and

(f) unless the Court directs otherwise, the transferor and the transferee must serve on their respective customers affected by the transfer, at least 15 days before the application is made, a copy of the report referred to in paragraph (a) or a summary of the transfer approved by the Authority under paragraph (c).

(3) The Authority and any person who, in the opinion of the Court, is likely to be affected by the transfer —

(a) has the right to appear before and be heard by the Court in any proceedings relating to the transfer; and

(b) may make any application to the Court in relation to the transfer.

(4) The Court must not approve the transfer if the Authority has not consented under section 57(1)(a) to the transfer.

(5) The Court may, after taking into consideration the views, if any, of the Authority on the transfer —

(a) approve the transfer without modification or subject to any modification agreed to by the transferor and the transferee; or

(b) refuse to approve the transfer.

(6) If the transferee is not identified under section 43(2) as the operator or settlement institution of the designated payment system, the Court may approve the transfer on terms that the transfer shall take effect only in the event of the transferee being so identified.

(7) The Court may by the order approving the transfer or by any subsequent order provide for all or any of the following matters:

(a) the transfer to the transferee of the whole or any part of the business of the transferor;

(b) the allotment or appropriation by the transferee of any share, debenture, policy or other interest in the transferee which under the transfer is to be allotted or appropriated by the transferee to or for any person;

(c) the continuation by (or against) the transferee of any legal proceedings pending by (or against) the transferor;
(d) the dissolution, without winding up, of the transferor;
(e) the provisions to be made for persons who are affected by the transfer;
(f) such incidental, consequential and supplementary matters as are, in the opinion of the Court, necessary to secure that the transfer is fully effective.

(8) Any order under subsection (7) may —
(a) provide for the transfer of any business, whether or not the transferor otherwise has the capacity to effect the transfer in question;
(b) make provision in relation to any property which is held by the transferor as trustee; and
(c) make provision as to any future or contingent right or liability of the transferor, including provision as to the construction of any instrument under which any such right or liability may arise.

(9) Subject to subsection (10), where an order made under subsection (7) provides for the transfer to the transferee of the whole or any part of the transferor's business, then by virtue of the order the business (or part thereof) of the transferor specified in the order must be transferred to and vest in the transferee, free in the case of any particular property (if the order so directs) from any charge which by virtue of the transfer is to cease to have effect.

(10) No order under subsection (7) has any effect or operation in transferring or otherwise vesting land in Singapore until the appropriate entries are made with respect to the transfer or vesting of that land by the appropriate authority.

(11) If any business specified in an order under subsection (7) is governed by the law of any foreign country or territory, the Court may order the transferor to take all necessary steps for securing that the transfer of the business to the transferee is fully effective under the law of that country or territory.

(12) Where an order is made under this section, the transferor and the transferee must each lodge within 7 days after the order is made —
(a) a copy of the order with the Registrar of Companies and with the Authority; and
(b) where the order relates to land in Singapore, an office copy of the order with the appropriate authority concerned with the registration or recording of dealings in that land.

(13) A transferor or transferee which contravenes subsection (12), and every officer of the transferor or transferee (as the case may be) who fails to take all reasonable steps to secure compliance by the transferor or transferee (as the case may be) with that subsection, shall each be guilty of an offence and shall each be liable on conviction to a fine not exceeding $2,000 and, in the case of a continuing offence, to a further fine not exceeding $200 for every day or part thereof during which the offence continues after conviction.

Division 6 – Control of Substantial Shareholders and Controllers of Operators of Designated Payment Systems

Application and interpretation of this Division

59.—(1) This Division applies to —

(a) all individuals whether resident in Singapore or not and whether citizens of Singapore or not; and

(b) all entities.

(2) In this Division, unless the context otherwise requires —

"12% controller", in relation to an operator of a designated payment system, means a person, not being a 20% controller, that alone or together with the person's associates —

(a) has an interest in 12% or more of the shares in the operator of the designated payment system; or

(b) is in a position to control 12% or more of the votes in the operator of the designated payment system;

"20% controller", in relation to an operator of a designated payment system, means a person that, alone or together with the person's associates —

(a) has an interest in 20% or more of the shares in the operator of the designated payment system; or

(b) is in a position to control 20% or more of the votes in the operator of the designated payment system;

"arrangement" includes any formal or informal scheme, arrangement or understanding, and any trust whether express or implied;

"indirect controller", in relation to an operator of a designated payment system, means any person, whether acting alone or together with any other person, and whether with or without holding shares or controlling voting power in an operator of a designated payment system —

(a) in accordance with whose directions, instructions or wishes the directors of the operator of a designated payment system, as the case may be, are accustomed or under an obligation, whether formal or informal, to act; or

(b) that is in a position to determine the policy of the operator of a designated payment system,

but excludes any person —

(i) who is a director or other officer of an operator of a designated payment system whose appointment has been approved by the Authority; or

(ii) in accordance with whose directions, instructions or wishes the directors of the operator of a designated payment system are accustomed to act by reason only that they act on advice given by the person in the person's professional capacity;

"substantial shareholder" has the same meaning as in section 81 of the Companies Act (Cap. 50);

"voting share" has the same meaning as in section 4(1) of the Companies Act.

(3) In this Division —

(a) a person has an interest in a share if —

(i) the person has or is treated to have an interest in that share under section 7(1A), (1B), (2), (6), (7) to (10) of the Companies Act; or

(ii) the person otherwise has a legal or equitable interest in that share, except an interest disregarded under section 7(9) of the Companies Act;

(b) a reference to the control of a percentage of the votes in an operator of a designated payment system is a reference to the control, whether direct or indirect, of that percentage of the total number of votes that might be cast in a general meeting of the operator of a designated payment system; and

(c) a person (A) is an associate of another person (B) if —

(i) A is the spouse, a parent, remoter lineal ancestor or step‑parent, a son, daughter, remoter issue, stepson or stepdaughter or a brother or sister of B;

(ii) A is a body corporate that is, or a majority of the directors of which are, accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of B;

(iii) A is a person that is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of B;

(iv) A is a subsidiary of B;

(v) A is a body corporate in which B, whether alone or together with other associates of B as described in sub‑paragraphs (ii), (iii) and (iv), is in a position to control 20% or more of the votes in A; or

(vi) A is a person with whom B has an agreement or arrangement, whether oral or in writing and whether express or implied, to act together with respect to the acquisition, holding or disposal of shares or other interests in, or with respect to the exercise of their votes in relation to, the operator of a designated payment system.

Control of shareholding in operator

60.—(1) A person must not become —

(a) a substantial shareholder;

(b) a 12% controller;
(c) a 20% controller; or
(d) an indirect controller,

of an operator of a designated payment system without first applying for and obtaining the approval of the Authority.

(2) A person must not enter into any agreement or arrangement, whether oral or in writing and whether express or implied, to act together with any other person with respect to the acquisition, holding or disposal of, or the exercise of rights in relation to, their interests in voting shares of an aggregate of 5% or more of the total votes attached to all voting shares in an operator of a designated payment system, without first applying for and obtaining the approval of the Authority.

(3) The Authority may approve an application made by any person under subsection (1) or (2) if the Authority is satisfied that —

(a) having regard to the likely influence of the person, the operator of a designated payment system will or will continue to conduct its business prudently and comply with the provisions of this Act;
(b) the person is, in accordance with the Guidelines on Fit and Proper Criteria, a fit and proper person to be a substantial shareholder, a 12% controller, a 20% controller or an indirect controller of the operator of a designated payment system; and
(c) it is in the public interest to do so.

(4) Any approval under subsection (3) may be granted to any person subject to such conditions as the Authority may impose, including but not limited to any condition —

(a) restricting the person's disposal or further acquisition of shares or voting power in the operator; or
(b) restricting the person's exercise of voting power in the operator,

and the Authority may at any time add to, vary or revoke any condition imposed under this subsection.

(5) Any condition imposed under subsection (4) has effect despite any provision of the Companies Act (Cap. 50) or anything contained in the constitution of the operator of a designated payment system.

(6) Where the Authority refuses an application made by any person under subsection (1) or (2), the person must, within such time as the Authority may specify, take such steps (as soon as practicable after the refusal) that are necessary —

(a) in the case of subsection (1), to cease to be —
    (i) a substantial shareholder;

(ii) a 12% controller;
(iii) a 20% controller; or
(iv) an indirect controller,

of the operator of a designated payment system, as the case may be; or

(b) in the case of subsection (2), to cease to be a party to the agreement or arrangement.

Objection to existing control of operator

61.—(1) The Authority may serve a written notice of objection on any person mentioned in section 60(1) or (2) if the Authority is satisfied that —

(a) any condition of approval imposed on the person under section 60(4) has not been complied with;
(b) it is no longer in the public interest to allow the person to continue to be —
(i) a party to the agreement or arrangement described in section 60(2);
(ii) a substantial shareholder of the operator of a designated payment system;
(iii) a 12% controller of the operator of a designated payment system;
(iv) a 20% controller of the operator of a designated payment system; or
(v) an indirect controller of the operator of a designated payment system,
as the case may be;
(c) the person has provided any false or misleading information or document in connection with an application under section 60(1) or (2);
(d) the person is no longer a fit and proper person in accordance with the Guidelines on Fit and Proper Criteria;
(e) having regard to the likely influence of the person, the operator of a designated payment system is no longer likely to conduct its business prudently or to comply with the provisions of this Act; or
(f) it would not have been satisfied as to any of the matters specified in section 60(3) had it been aware, at that time, of circumstances relevant to the person's application under section 60(1) or (2).

(2) Before serving a written notice of objection under subsection (1), the Authority must, unless the Authority decides that it is not practicable or desirable to do so, give the person —

(a) a notice in writing of the Authority's intention to serve the written notice of objection; and
(b) specify a date by which the person may make written representations with regard to the proposed written notice of objection.

(3) The Authority must consider any written representations it receives before the date mentioned in subsection (2)(b) for the purpose of determining whether to issue a written notice of objection.

(4) The Authority must, in any written notice of objection, specify a reasonable period within which the person that has been served the written notice of objection must —

(a) take such steps as are necessary to ensure that the person ceases to be a party to the agreement or arrangement described in section 60(2), as the case may be;

(b) cease to be —

(i) a substantial shareholder;

(ii) a 12% controller;

(iii) a 20% controller; or

(iv) an indirect controller,

of the operator of a designated payment system, as the case may be; or

(c) comply with such direction as the Authority may make under section 62,

and the person must comply with that notice.

Power to make directions in this Division

62.—(1) If the Authority is satisfied that a person has contravened section 60(1), (2), (3) or (7) or has failed to comply with any condition imposed under section 60(4), or if the Authority has served a written notice of objection under section 61, the Authority may, by notice in writing —

(a) direct the transfer or disposal of all or any of the shares in the operator of a designated payment system held by the person or any of the person's associates (called in this section the specified shares) within such time or subject to such conditions as the Authority considers appropriate;

(b) restrict the transfer or disposal of the specified shares; or

(c) make such other direction as the Authority considers appropriate.

(2) In the case of any direction made under subsection (1)(a) or restriction made under subsection (1)(b), until a transfer or disposal is effected in accordance with the direction or until the restriction on the transfer or disposal is removed, as the case may be —

(a) no voting rights may be exercised in respect of the specified shares unless the Authority expressly permits such rights to be exercised;

(b) no shares of the operator of a designated payment system may be issued or offered (whether by way of rights, bonus or otherwise) in respect of the specified shares unless the Authority expressly permits such issue or offer; and

(c) except in a liquidation of the operator of a designated payment system, no payment may be made by the operator of a designated payment system any amount (whether by way of dividends or otherwise) in respect of the specified shares unless the Authority expressly authorises such payment.

(3) Subsection (2) has effect despite any provision of the Companies Act (Cap. 50) or anything contained in the constitution of the operator of a designated payment system.

(4) Any offer or issue of shares in contravention of subsection (2)(b) shall be deemed to be null and void, and a person to whom a direction has been issued under subsection (1)(a) or (1)(b) must immediately return those shares to the operator of the designated payment system, upon which the operator of the designated payment system must return to the person any payment received from him in respect of those shares.

(5) Any payment made by an operator of a designated payment system in contravention of subsection (2)(c) shall be deemed to be null and void, and a person to whom a direction has been issued under subsection (1)(a) or (1)(b) must immediately return the payment he has received to the operator of the designated payment system.

Power of Authority to obtain information relating to this Division

63.—(1) The Authority may, by notice in writing, direct an operator of a designated payment system to obtain from any of its shareholders, and to provide to the Authority, any information relating to the shareholder that the Authority may require for the purpose of —

(a) ascertaining or investigating into the control of shareholding or voting power in the operator of a designated payment system; or

(b) exercising any power or function under section 60, 61, 62, 64 or 65.

(2) Without affecting the generality of subsection (1), the notice in subsection (1) may require the operator of a designated payment system to obtain and provide the following information:

(a) whether the shareholder has an interest in any share in the operator of a designated payment system as beneficial owner or as trustee;

(b) if the shareholder holds the interest in the share as trustee, to indicate as far as that shareholder is able to —

(i) the person for whom that shareholder holds the interest (either by name or by other particulars sufficient to enable that person to be identified); and

(ii) the nature of that person's interest.

(3) The Authority may, by notice in writing, require any shareholder (X) of an operator of a designated payment system, or any person (Y) that appears from information provided to the Authority under subsection (1) or this subsection to have an interest in any share in the operator of a designated payment system, to provide to the Authority any information relating to X or Y, as the case may be, that the Authority may require for the purpose of —

(a) ascertaining or investigating into the control of shareholding or voting power in the operator of a designated payment system; or

(b) exercising any power or function under section 60, 61, 62, 64 or 65.

(4) Without affecting the generality of subsection (3), the notice in subsection (3) may require X or Y to provide the following information:

(a) whether X or Y holds that interest as beneficial owner or as trustee;
(b) if X or Y holds the interest as trustee, to indicate as far as X or Y can —
  (i) the person (Z) for whom X or Y holds the interest (either by name or by other particulars sufficient to enable that person to be identified); and
  (ii) the nature of Z's interest;
(c) whether any share or any voting right attached to the share is the subject of an agreement or arrangement described in section 59(3)(c)(vi) or 60(2), and if so, to give particulars of the agreement or arrangement and the parties to it.

Power to exempt

64.—(1) The Authority may, by order published in the *Gazette*, exempt —
(a) any person or class of persons; or
(b) any class or description of shares or interests in shares,

from section 60, subject to such conditions as may be specified in the order.

(2) Without affecting the generality of subsection (1), the conditions may include —
(a) restricting the person's or class of persons' disposal or further acquisition of shares or voting power in the operator of a designated payment system; or
(b) restricting the person's or class of persons' exercise of voting power in the operator of a designated payment system,

and the Authority may at any time add to, vary or revoke any condition imposed under this section.

Offences, penalties and defences

65.—(1) Any person that contravenes section 60(1)(a) or (b), (2), (6)(a)(i) or (ii), or (b) shall be guilty of an offence and shall be liable on conviction —
(a) in the case of an individual, to a fine not exceeding $125,000 and, in the case of a continuing offence (if applicable), to a further fine not exceeding $12,500 for every day or part of a day during which the offence continues after conviction; or
(b) in any other case, to a fine not exceeding $250,000 and, in the case of a continuing offence (if applicable), to a further fine not exceeding $25,000 for every day or part of a day during which the offence continues after conviction.

(2) Any person that —
(a) contravenes section 60(1)(c) or (d), (6)(a)(iii) or (iv) or 62(2);
(b) fails to comply with —
  (i) any notice given under section 61(4), 62(1) or 63; or
  (ii) any condition imposed under section 60(4); or
(c) in purported compliance with a notice under section 63, knowingly or recklessly provides any information or document that is false or misleading in a material particular,

shall be guilty of an offence.

(3) Any person convicted of an offence under subsection (2) shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence (if applicable), to a further fine not exceeding $12,500 for every day or part of a day during which the offence continues after conviction; or

(b) in any other case, to a fine not exceeding $250,000 and, in the case of a continuing offence (if applicable), to a further fine not exceeding $25,000 for every day or part of a day during which the offence continues after conviction.

(4) Where a person is charged with an offence in respect of a contravention of section 60(1), (2) or (6), it is a defence for the person to prove that —

(a) the person was not aware that the person had contravened section 60(1), (2) or (6), as the case may be; and

(b) within 14 days after becoming aware of the contravention, the person —

(i) notified the Authority of the contravention; and

(ii) within such time as may be determined by the Authority, took such action in relation to the person's shareholding or control of the voting power in the Singapore operator as the Authority may direct.

(5) Where a person is charged with an offence in respect of a contravention of section 60(1), it is also a defence for the person to prove that, even though the person was aware of the contravention —

(a) the contravention occurred as a result of an increase in the shareholding as described in section 59(3)(a) of, or in the voting power controlled by, any of the person's associates described in section 59(3)(c)(i) of;

(b) the person had no agreement or arrangement, whether oral or in writing and whether express or implied, with that associate with respect to the acquisition, holding or disposal of shares or other interests in, or under which they act together in exercising their voting power in relation to, the Singapore operator; and

(c) within 14 days after the date of the contravention, the person —

(i) notified the Authority of the contravention; and

(ii) within such time as may be determined by the Authority, took such action in relation to the person's shareholding or control of the voting power in the Singapore operator as the Authority may direct.

(6) Except as provided in subsections (4) and (5), it is not a defence for a person charged with an offence in respect of a contravention of section 60(1), (2) or (6) to prove that the person did not intend to or did not knowingly contravene that provision.

Appeals

66. Any person that is aggrieved by a decision of the Authority under section 60, 61 or 62 may, within 30 days after receiving the decision of the Authority, appeal in writing to the Minister whose decision shall be final and shall be given effect to by the Authority.

Division 7 – Control of Officers of Operators and Settlement Institutions of Designated Payment Systems

Approval of chief executive officers and directors of operators

67.—(1) Subject to subsection (3), an operator of a designated payment system must not appoint an individual as its chief executive officer or director, as the case may be, in Singapore unless it has applied for and obtained the approval of the Authority.

(2) An application for approval under subsection (1) must be made in such form and manner as the Authority may prescribe.

(3) Without affecting any other matter that the Authority may consider relevant, the Authority may —

(a) in determining whether to grant its approval under paragraph (b), have regard to such criteria as may be specified by notice in writing to the operator; and

(b) approve or refuse the application.

(4) Where an operator has obtained the approval of the Authority to appoint an individual as its chief executive officer or director under subsection (2)(b), the person may, without the approval of the Authority, be re‑appointed as chief executive officer or director (as the case may be) of the operator immediately upon the expiry of the individual's term of appointment.

(5) Subject to subsection (6), the Authority must not refuse an application for approval of an individual under subsection (1) without giving the operator an opportunity to be heard.

(6) The Authority may refuse an application for approval of an individual under subsection (1) without giving the operator an opportunity to be heard in any of the following circumstances:

(a) if the individual has been convicted, whether in Singapore or elsewhere, of an offence committed before, on or after the date of commencement of this Act, being an offence —

(i) involving fraud or dishonesty;

(ii) the conviction for which involved a finding that he or she had acted fraudulently or dishonestly; or

(iii) that is specified in the Third Schedule to the Registration of Criminals Act (Cap. 268);

(b) if the individual is an undischarged bankrupt, whether in Singapore or elsewhere;

(c) if the individual has had execution against him or her in respect of a judgment debt returned unsatisfied in whole or in part;

(d) if the individual has, whether in Singapore or elsewhere, entered into a compromise or scheme of arrangement with his or her creditors, being a compromise or scheme of arrangement that is still in operation;

(e) if the individual has had a prohibition order under section 59 of the Financial Advisers Act (Cap. 110), section 35V of the Insurance Act (Cap. 142) or section 101A of the Securities and Futures Act (Cap. 289) made against him or her that is still in force;

(f) if the individual has been a director of, or directly concerned in the management of, a regulated financial institution, whether in Singapore or elsewhere —

(i) that is being or has been wound up by a court; or

(ii) the approval, authorisation, designation, recognition, registration or licence of which has been withdrawn, cancelled or revoked by the Authority or, in the case of a regulated financial institution in a foreign country or territory, by the regulatory authority in that foreign country or territory.

(7) Where the Authority refuses an application for approval under subsection (3)(b), the Authority need not give the individual who was proposed to be appointed an opportunity to be heard.

(8) The operator of a designated payment system shall, as soon as practicable, give written notice to the Authority of the resignation or removal of its chief executive officer or director.

(9) Any operator that, without reasonable excuse, contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $250,000.

(10) In this section and section 68, unless the context otherwise requires —

"regulated financial institution" means a person that carries on a business, the conduct of which is regulated or authorised by the Authority or, if it is carried on in Singapore, would be regulated or authorised by the Authority;

"regulatory authority", in relation to a foreign country or territory, means an authority of the foreign country or territory exercising any function that corresponds to a regulatory function of the Authority under this Act, the Monetary Authority of Singapore Act (Cap. 186) or any of the written laws set out in the Schedule to that Act.

Removal of executive officers or directors of operators and settlement institutions

68.—(1) Despite the provisions of any other written law, where the Authority is satisfied that —

(a) an executive officer of an operator or a settlement institution of a designated payment system; or

(b) a director of a Singapore operator or a Singapore settlement institution,

is not a fit and proper person to act as such executive officer or director, the Authority may, by notice in writing, direct the operator or settlement institution to remove —

(i) the executive officer from employment with the operator or settlement institution, as the case may be; or

(ii) the director as director of the Singapore operator or Singapore settlement institution, as the case may be,

within such period as the Authority may specify in the notice.

(2) Without affecting any other matter that the Authority may deem relevant, in assessing whether to direct the operator or settlement institution to remove its executive officer or director under subsection (1), the Authority may consider whether the executive officer or director —

(a) has been convicted, whether in Singapore or elsewhere, of an offence committed before, on or after the date of commencement of this Act, being an offence —

(i) involving fraud or dishonesty;

(ii) the conviction for which involved a finding that he had acted fraudulently or dishonestly; or

(iii) that is specified in the Third Schedule to the Registration of Criminals Act (Cap. 268);

(b) is an undischarged bankrupt, whether in Singapore or elsewhere;

(c) has had execution against him in respect of a judgment debt returned unsatisfied in whole or in part;

(d) has, whether in Singapore or elsewhere, entered into a compromise or scheme of arrangement with his creditors, being a compromise or scheme of arrangement that is still in operation;

(e) has had a prohibition order under section 59 of the Financial Advisers Act (Cap. 110), section 35V of the Insurance Act (Cap. 142) or section 101A of the Securities and Futures Act (Cap. 289) made against him that remains in force;

(f) has been a director of, or directly concerned in the management of, a regulated financial institution, whether in Singapore or elsewhere —

(i) which is being or has been wound up by a court; or

(ii) the approval, authorisation, designation, recognition, registration or licence of which has been withdrawn, cancelled or revoked by the Authority or, in the case of a regulated financial institution in a foreign country or territory, by the regulatory authority in that foreign country or territory;

(g) has wilfully contravened or wilfully caused the operator or settlement institution to contravene any provision of this Act;
(h) has, without reasonable excuse, failed to secure the compliance of the operator or settlement institution with this Act, the Monetary Authority of Singapore Act (Cap. 186) or any of the written laws set out in the Schedule to that Act;
(i) has failed to discharge any of the duties of his or her office or employment; or
(j) needs to be removed in the public interest.

(3) Subject to subsection (4), before directing an operator or a settlement institution to remove its chief executive officer or director under subsection (1), the Authority must give –
(a) the operator or settlement institution, as the case may be; and
(b) the individual concerned,

an opportunity to be heard.

(4) The Authority may direct an operator or settlement institution to remove a person from his office or employment under subsection (1) on any of the following grounds without giving the operator or settlement institution an opportunity to be heard:
(a) the person is an undischarged bankrupt, whether in Singapore or elsewhere;
(b) the person has been convicted, whether in Singapore or elsewhere, of an offence committed before, on or after the date of commencement this Act —
(i) involving fraud or dishonesty, or the conviction for which involved a finding that he had acted fraudulently or dishonestly; and
(ii) punishable with imprisonment for a term of 3 months or more.

(5) Without affecting the Authority's power to impose conditions under section 45, the Authority may at any time, by notice in writing to an operator or a settlement institution impose a condition requiring the operator or settlement institution to notify the Authority of a change to any specified attribute (such as residence and nature of appointment) of its chief executive officer or director, and vary any such condition.

(6) Any operator or settlement institution that, without reasonable excuse —
(a) fails to comply with a direction under subsection (1); or
(b) contravenes any condition imposed under subsection (5),

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000.

(7) No criminal or civil liability shall be incurred by an operator or a settlement institution of a designated payment system, or any person acting on behalf of the operator or settlement institution, in respect of anything done (including any statement made) or omitted to be done with reasonable care and in good faith in the discharge or purported discharge of the obligations of the operator or settlement institution under this section.

Appeals

69.—(1) An operator of a designated payment system that is aggrieved by the decision of the Authority under section 67(3)(b) may, within 30 days after receiving the decision of the Authority, appeal in writing to the Minister whose decision shall be final and shall be given effect to by the Authority.

(2) An operator or a settlement institution, as the case may be, or any executive officer or director of the operator or settlement institution, that is aggrieved by a direction of the Authority under section 68(1) may, within 30 days after receiving the direction, appeal in writing to the Minister whose decision shall be final and shall be given effect to by the Authority.

Division 8 – Audit of Operators and Settlement Institutions of Designated Payment Systems

Auditing

70.—(1) Despite the provisions of the Companies Act (Cap. 50), an operator or a settlement institution of a designated payment system —

(a) must, on an annual basis, appoint an auditor; and

(b) if for any reason its auditor ceases to be its auditor, appoint another auditor as soon as practicable after such cessation.

(2) The Authority may appoint an auditor —

(a) if the operator or settlement institution of a designated payment system fails to appoint an auditor; or

(b) if the Authority considers it desirable that another auditor should act with the auditor appointed under subsection (1),

and may at any time fix the remuneration to be paid by the operator or settlement institution of a designated payment system to the auditor the Authority appoints.

(3) The duties of an auditor appointed under subsection (1) or (2) are —

(a) to carry out, for the year in respect of which the auditor is appointed, an audit of the accounts of the operator or settlement institution of a designated payment system; and

(b) to —

(i) in the case of a Singapore operator or Singapore settlement institution, make a report on the financial statements or consolidated financial statements of the operator or settlement institution of a designated payment system in accordance with section 207 of the Companies Act; or

(ii) in the case of an operator or settlement institution incorporated outside Singapore, make a report on its latest annual balance sheet and profit and loss account together with any notes thereon showing the assets and liabilities and profit or loss arising out of the operator's or settlement institution's

operations in Singapore, as the case may be, which complies with section 207 of the Companies Act.

(4) The Authority may, by notice in writing to an auditor, impose all or any of the following duties on the auditor in addition to those provided under subsection (3), and the auditor must carry out the duties so imposed:

(a) a duty to submit such additional information in relation to the audit as the Authority considers necessary;
(b) a duty to enlarge or extend the scope of the audit of the business and affairs of the operator or settlement institution of a designated payment system, as the case may be;
(c) a duty to carry out any other examination, or establish any procedure, in relation to the audit in any particular case;
(d) a duty to submit a report on any of the matters mentioned in paragraphs (b) and (c).

(5) The operator or settlement institution of a designated payment system must remunerate the auditor in respect of —

(a) such remuneration the Authority has fixed under subsection (2); and
(b) the discharge of all or any of the additional duties of the auditor imposed under subsection (4).

(6) Despite any other provision of this Act or the provisions of the Companies Act, the Authority may at any time direct the operator or settlement institution of a designated payment system to —

(a) remove the auditor of the operator or settlement institution of a designated payment system; and
(b) appoint another auditor,

if the Authority is not satisfied with the performance of any duty by the auditor.

(7) The auditor's report made under subsection (3)(b) must be attached to the balance-sheet and the profit and loss account, the financial statements or the consolidated financial statements, as the case may be, and a copy of the report, together with any report submitted under subsection (4), must be submitted in writing to the Authority.

(8) If an auditor, in the course of performing the auditor's duties, is satisfied that —

(a) there has been a serious breach or non‑observance of the provisions of this Act;
(b) a criminal offence involving fraud or dishonesty has been committed;
(c) losses have been incurred that reduce the capital of the operator or settlement institution of a designated payment system by 50% or more;
(d) any irregularity that has or may have a material effect upon the accounts of the operator or settlement institution, as the case may be, including any irregularity that

affects or jeopardises, or may affect or jeopardise, the interests of the participants of the designated payment system; or

(e) the auditor is unable to confirm that the claims of creditors of the operator or settlement institution of a designated payment system are still covered by the assets of the operator or settlement institution of a designated payment system,

the auditor must immediately report the matter to the Authority.

(9) Where an auditor or employee of the auditor discloses in good faith to the Authority —

(a) the auditor's or employee's knowledge or suspicion of any of the matters mentioned in subsection (8); or

(b) any information or other matter on which that knowledge or suspicion is based,

the disclosure is not a breach of any restriction upon the disclosure imposed by any law, contract or rules of professional conduct, and the auditor or employee is not liable for any loss arising out of the disclosure or any act or omission in consequence of the disclosure.

(10) Any operator or settlement institution of a designated payment system that contravenes subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

(11) Any auditor that contravenes subsection (4) or (8) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

(12) In this section, "consolidated financial statements" and "financial statements" have the same meanings as in section 209A of the Companies Act.

Powers of auditor appointed by Authority

71.—(1) An auditor appointed by the Authority under section 70(2) may, for the purpose of carrying out an examination or audit —

(a) examine, on oath or affirmation, any officer or employee of the operator or settlement institution of a designated payment system, or any other auditor of the operator or settlement institution of a designated payment system;

(b) require any officer or employee of the operator or settlement institution of a designated payment system, or any other auditor of the operator or settlement institution of a designated payment system, to produce any books held by or on behalf of the operator or settlement institution of a designated payment system relating to its business;

(c) make copies of or take extracts from, or retain possession of, any books mentioned in paragraph (b) for such period as may be necessary to enable them to be inspected;

(d) employ such persons as the auditor considers necessary to assist the auditor in carrying out the examination or audit; and

(e) authorise in writing any person employed by the auditor to do, in relation to the examination or audit, any act or thing that the auditor could do as an auditor under this subsection, other than the examination of a person on oath or affirmation.

(2) Any individual who, without reasonable excuse —

(a) refuses or fails to answer any question put to him or her; or

(b) fails to comply with any request made to him or her,

by an auditor appointed under section 70(2) or a person authorised under subsection (1)(e) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $12,500 or to imprisonment for a term not exceeding 12 months or to both.

Restriction on auditor's and employee's right to communicate certain matters

72.—(1) Except as may be necessary for the carrying into effect of the provisions of this Act or so far as may be required for the purposes of any legal proceedings, whether civil or criminal —

(a) an auditor appointed under section 70(1) or (2); or

(b) any employee of such auditor,

must not disclose any information that comes to the auditor's or employee's knowledge in the course of performing the auditor's or employee's duties, to any person other than the Authority, or in the case of an employee of such auditor, the auditor.

(2) Any person that contravenes this section shall be guilty of an offence and shall be liable on conviction —

(a) in the case of the auditor, to a fine not exceeding $25,000; or

(b) in the case of the employee, to a fine not exceeding $12,500.

Offence to destroy, conceal, alter, etc. records

73.—(1) Any individual who, with intent to prevent, delay or obstruct the carrying out of any examination or audit under section 70 or 71 —

(a) destroys, conceals or alters any book relating to the business of an operator or a settlement institution of a designated payment system; or

(b) sends, or conspires with any other person to send, out of Singapore, any book or asset of any description belonging to, in the possession of or under the control of the operator or settlement institution of a designated payment system,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both.

(2) If, in any proceedings for an offence under subsection (1), it is proved that the individual charged with the offence —

(a) destroyed, concealed or altered any book mentioned in subsection (1)(a); or
(b) sent, or conspired to send, out of Singapore, any book or asset mentioned in subsection (1)(b),

the onus of proving that, in so doing, the individual did not act with intent to prevent, delay or obstruct the carrying out of an examination or audit under section 70 or 71 lies on him or her.

PART 4

INSPECTION AND INVESTIGATIONS

Inspection by Authority

74.—(1) The Authority may from time to time inspect, under conditions of secrecy, the books of any —

(a) licensee;
(b) exempt person or a person exempt under section 102;
(c) operator of a designated payment system;
(d) settlement institution of a designated payment system; or
(e) participant of a designated payment system.

(2) For the purposes of an inspection under this section —

(a) a person mentioned in subsection (1) in possession of its books must produce such books to the Authority and give such information or facilities as the Authority may require to conduct the inspection;

(b) a person referred to in subsection (1) must procure any person that is in possession of its books to produce the books to the Authority and give such information or facilities as the Authority may require to conduct the inspection; and

(c) the Authority may —
  (i) make copies of, or take possession of, any such books;
  (ii) use, or permit the use of, any such books for the purposes of any proceedings under this Act; and
  (iii) subject to subsection (4), retain possession of any such books for so long as is necessary —

    (A) for the purposes of exercising a power conferred by this section;
    (B) for a decision to be made on whether or not proceedings should be commenced under this Act in relation to such books; or
    (C) for such proceedings to be commenced and carried on.

(3) A person is not entitled, as against the Authority, to claim a lien on any of the books, but such a lien is not otherwise prejudiced.

(4) While the books are in the possession of the Authority, the Authority —

(a) must permit another person to inspect at all reasonable times such (if any) of the books as the other person would be entitled to inspect if they were not in the possession of the Authority; and

(b) may permit another person to inspect any of the books.

(5) The Authority may require a person that produced any book to the Authority to explain, to the best of the person's knowledge and belief, any matter about the compilation of the book or to which the book relates.

(6) Any person that fails, without reasonable excuse, to comply with subsection (2)(a) or (b) or a requirement of the Authority under subsection (5) shall be guilty of an offence and shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both and, in the case of a continuing offence, to a further fine not exceeding $5,000 for every day or part of a day during which the offence continues after conviction; or

(b) in any other case, to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

Investigation by Authority

75.—(1) The Authority may conduct such investigation as it considers necessary or expedient for any of the following purposes:

(a) to determine whether —

(i) a licensee, exempt person, or a person exempt under section 102 is carrying on its business in a manner likely to be detrimental to the interests of its customers;

(ii) a licensee, exempt person, or a person exempt under section 102 is conducting its payment service business in a proper manner;

(iii) an operator of a designated payment system or a licensee who is the operator of a payment system, as the case may be, is operating the payment system in a manner likely to be detrimental to the interests of its customers;

(iv) an operator of a designated payment system or a licensee who is the operator of a payment system, as the case may be, is operating the payment system in a proper manner;

(v) a settlement institution of a designated payment system or a licensee who is a settlement institution of a payment system, as the case may be, is carrying

on its business as a settlement institution in a manner likely to be detrimental to the interest of the participants of the payment system;

(vi) a settlement institution of a designated payment system or licensee who is a settlement institution of a payment system, as the case may be, is conducting its business as a settlement institution in a proper manner;

(vii) a participant of a designated payment system or a licensee who is a participant of a payment system is carrying on its business as a participant in a manner likely to be detrimental to the interests of the other participants of the payment system.

(b) to investigate an alleged or suspected offence or contravention of any provision of this Act;

(c) to ensure compliance with this Act or any notice in writing issued by the Authority under this Act.

(2) For the purposes of subsection (1), the Authority may —

(a) by notice in writing, require any person to provide information or to produce books relating to any matter under investigation, and such person must immediately comply with that requirement;

(b) make copies of, or take possession of, any such books;

(c) use, or permit the use of, any such books for the purposes of any proceedings under this Act; and

(d) subject to subsection (4), retain possession of any such books for so long as is necessary —

(i) for the purposes of exercising a power conferred by this section;

(ii) for a decision to be made on whether or not proceedings should be commenced under this Act in relation to such books; or

(iii) for such proceedings to be commenced and carried on.

(3) A person is not entitled, as against the Authority, to claim a lien on any of the books, but such a lien is not otherwise prejudiced.

(4) While the books are in the possession of the Authority, the Authority —

(a) must permit another person to inspect at all reasonable times such (if any) of the books as the other person would be entitled to inspect if they were not in the possession of the Authority; and

(b) may permit another person to inspect any of the books.

(5) The Authority may require a person that produced any book to the Authority to explain, to the best of the person's knowledge and belief, any matter about the compilation of the book or to which the book relates.

(6) The Authority may exercise any of its powers for the purposes of conducting an investigation under this section despite the provisions of any prescribed written law (or any requirement imposed under the prescribed written law) or any rule of law.

(7) A requirement imposed by the Authority in the exercise of its powers under this section has effect despite any obligation as to secrecy or other restrictions upon the disclosure of information imposed by any prescribed written law (or any requirement imposed under the prescribed written law), rule of law, contract or rule of professional conduct.

(8) Any person that complies with a requirement imposed by the Authority in the exercise of its powers under this section is not to be treated as being in breach of any restriction on the disclosure of the information imposed by any prescribed written law (or any requirement imposed under the prescribed written law), rule of law, contract or rule of professional conduct.

(9) No civil or criminal action lies against any person for —

(a) providing information or producing books to the Authority if the person provided the information or produced the books in good faith in compliance with a requirement imposed by the Authority under this section; or

(b) doing or omitting to do any act, if the person did or omitted to do the act in good faith and as a result of complying with a requirement imposed by the Authority under this section.

(10) Any person that fails, without reasonable excuse, to comply with subsection (2)(a) or a requirement of the Authority under subsection (5) shall be guilty of an offence and shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both and, in the case of a continuing offence, to a further fine not exceeding $5,000 for every day or part of a day during which the offence continues after conviction; or

(b) in any other case, to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

(11) In this section, "prescribed written law" means this Act, or any of the following written laws and any subsidiary legislation made under this Act or those written laws:

(a) Banking Act (Cap. 19);
(b) Deposit Insurance and Policy Owners' Protection Schemes Act (Cap. 77B);
(c) Finance Companies Act (Cap. 108);
(d) Financial Advisers Act (Cap. 110);
(e) Financial Holding Companies Act
(f) Insurance Act (Cap. 142);
(g) Monetary Authority of Singapore Act (Cap. 186);
(h) Securities and Futures Act (Cap. 289);
(i) Trust Companies Act (Cap. 336);
(j) Credit Bureau Act 2016 (No. 27 of 2016);

(k) such other written law as the Authority may prescribe.

Confidentiality of inspection and investigation reports

76.—(1) Subject to subsection (2), where the Authority has —

(a) produced a written report —

(i) upon an inspection under section 74 in respect of a licensee, an exempt person, a person exempt under section 102, an operator, a settlement institution or a participant of a designated payment system; or

(ii) in respect of any investigation under section 75; and

(b) provided the report to the licensee, the exempt person, the person exempt under section 102, the operator, the settlement institution, or a participant of a designated payment system or the person under investigation (called in this section the payment entity or person, as the case may be),

the payment entity or person, or any of the payment entity's or person's officers or auditors, must not disclose the report to any other person.

(2) The report mentioned in subsection (1) may be disclosed —

(a) by the payment entity or person to the payment entity's or person's officer or auditor solely in connection with the performance of the duties of the officer or auditor in the payment entity or person;

(b) by any officer or auditor of the payment entity or person to any other officer or auditor of the payment entity or person, solely in connection with the performance of their duties in the relevant person; or

(c) to such other person as the Authority may approve in writing.

(3) In granting written approval for any disclosure under subsection (2)(c), the Authority may impose such conditions or restrictions as the Authority thinks fit on the payment entity or person, any of the payment entity's or person's officers or auditors, or the person to whom disclosure is approved, and the payment entity or person, officer, auditor or the person to whom disclosure is approved must comply with the condition or restriction.

(4) The obligations of an officer or auditor mentioned in subsections (1) and (3) continue after the termination or cessation of the person's employment with or appointment by the relevant person.

(5) Any person that contravenes subsection (1) or (3) shall be guilty of an offence and shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both; or

(b) in any other case, to a fine not exceeding $100,000.

(6) Any person to whom the report is disclosed and that knows or has reasonable grounds for believing, at the time of the disclosure, that the report was disclosed to the person in contravention of subsection (1) shall be guilty of an offence unless the person proves that —

(a) the disclosure was made contrary to the person's desire;

(b) where the disclosure was made in any written form, the person has, as soon as practicable after receiving the report, surrendered or taken all reasonable steps to surrender the report and all copies of the report to the Authority; and

(c) where the disclosure was made in an electronic form, the person has, as soon as practicable after receiving the report, taken all reasonable steps to ensure that all electronic copies of the report have been deleted and that the report and all copies of the report in other forms have been surrendered to the Authority.

(7) Any person convicted of an offence under subsection (6) shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both; or

(b) in any other case, to a fine not exceeding $100,000.

Self-incrimination

77.—(1) A person is not excused from disclosing information to the Authority pursuant to a requirement made of the person under this Part on the grounds that the disclosure of the information might tend to incriminate the person.

(2) Where a person claims, before making a statement disclosing information that the person is required to disclose by such requirement, that the statement might tend to incriminate the person, that statement is not admissible in evidence against the person in criminal proceedings other than proceedings for an offence under section 96(1) or (2).

Savings for advocates and solicitors

78.—(1) Nothing in this Part —

(a) compels an advocate and solicitor to disclose or produce privileged communication, or a document or other material containing privileged communication, made by or to him or her in that capacity; or

(b) authorises the taking of any such document or other material that is in his or her possession.

(2) An advocate and solicitor who refuses to disclose the information or produce the document or other material mentioned in subsection (1) must nevertheless give the name and address (if he or she knows them) of the person to whom, or by or on behalf of whom, that privileged communication was made.

(3) Any advocate and solicitor who contravenes subsection (2) shall be guilty of an offence.

PART 5

EMERGENCY POWERS

Interpretation of this Part

79. In this Part, unless the context otherwise requires —

"business" includes affairs and property;

"emergency", in relation to a designated payment system, means—

(a) any situation which prevents a designated payment system from carrying on its functions;
(b) any situation in which, in the opinion of the Authority, a designated payment system is carrying on its operations in a manner likely to be detrimental to the interests of its participants; or
(c) any undesirable situation or practice which, in the opinion of the Authority, constitutes an emergency.

"office-holder", in relation to a payment entity, means any person acting as the liquidator, provisional liquidator, receiver, receiver and manager, judicial manager or an equivalent person of the relevant payment entity;

"relevant business", in relation to a payment entity, means any of its business —

(a) in relation to which a statutory adviser has been appointed under section 80(2)(b);
(b) in relation to which a statutory manager has been appointed under section 80(2)(c); or
(c) that the Authority has assumed control of under section 80(2)(c);

"payment entity" means any of the following:

(a) a licensee;
(b) a person licensed to carry on the business of issuing credit cards or charge cards in Singapore under section 57B of the Banking Act (Cap. 19);
(c) an operator of a designated payment system;
(d) a settlement institution of a designated payment system.

"statutory adviser" means a statutory adviser appointed under section 80(2)(b);

"statutory manager" means a statutory manager appointed under section 80(2)(c).

Action by Authority if the payment entity is unable to meet obligations, etc

80.—(1) The Authority may exercise one or more of the powers specified in subsection (2) as appears to it to be necessary, where —

(a) a payment entity informs the Authority that it is or is likely to become insolvent, or that it is or is likely to become unable to meet its obligations, or that it has suspended or is about to suspend payments;

(b) a payment entity is insolvent, becomes unable to meet its obligations, or suspends payments;

(c) the Authority is of the opinion that the payment entity —

(i) is or is likely to become insolvent, or that it is or is likely to become unable to meet its obligations, or that it has suspended or is about to suspend payments;

(ii) has contravened any of the provisions of this Act; or

(d) the Authority considers it in the public interest to do so.

(2) Subject to subsection (1), the Authority may —

(a) require the payment entity to immediately take any action or to do or not to do any act in relation to its business as the Authority may consider necessary;

(b) appoint one or more persons as statutory adviser, on such terms as the Authority may specify, to advise the payment entity on the proper management of its business as the Authority may determine; or

(c) assume control of and manage the business of the payment entity as the Authority may determine, or appoint one or more persons as statutory manager to do so on such terms as the Authority may specify.

(3) Where the Authority appoints 2 or more persons as statutory manager of a payment entity, the Authority must specify, in the terms of the appointment, which of the duties, functions and powers of the statutory manager —

(a) may be discharged or exercised by such persons jointly and severally;

(b) must be discharged or exercised by such persons jointly; and

(c) must be discharged or exercised by a specified person of such persons.

(4) Where the Authority has exercised any power under subsection (2), it may, at any time and without affecting its powers under section 12(2) or (3), do one or more of the following:

(a) vary or revoke any requirement of, any appointment made by, or any action taken by the Authority under subsection (2) in the exercise of such power, on such terms as it may specify;

(b) exercise any of the powers under subsection (2);

(c) add to, vary or revoke any term the Authority has specified under this section.

(5) A statutory manager or a statutory adviser incurs no liability for anything done (including any statement made) or omitted to be done with reasonable care and in good faith in the course of or in connection with —

(a) the exercise or purported exercise of any power under this Act;
(b) the performance or purported performance of any function or duty under this Act; or
(c) the compliance or purported compliance with this Act.

Emergency powers of the Authority applicable to designated payment systems

81.—(1) Without affecting section 80, where the Authority has reason to believe that an emergency exists, or thinks that it is necessary or expedient in the interests of the public or a section of the public to so act, the Authority may exercise one or more of the following powers:

(a) by notices in writing, direct an operator or a settlement institution of a designated payment system to take such action as the Authority considers necessary to maintain or restore the safe and efficient operation of the designated payment system;
(b) present a petition to the High Court for the winding up or bankruptcy, as the case may be, of an operator or a settlement institution of a designated payment system;
(c) require an operator of a designated payment system to cease operation of the designated payment system.

(2) Without prejudice to the generality of subsection (1)(a), the actions which the Authority may direct an operator or a settlement institution of a designated payment system to take include modifying or suspending any of the rules of the designated payment system.

(3) The Authority may modify or cancel any action taken by it under subsection (1), and in so modifying or cancelling any such action, the Authority may impose such conditions as it thinks fit, subject to which the modification or cancellation shall have effect.

(4) Any operator or settlement institution of a designated payment system, which fails to comply with any direction issued under subsection (1)(a) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part thereof during which the offence continues after conviction.

Assumption of control

82.—(1) Upon assuming control of any business of a payment entity under section 80(2)(c), the Authority or statutory manager, as the case may be, must take custody or control of the relevant business.

(2) During the period when the Authority or statutory manager is in control of a payment entity's relevant business, the Authority or statutory manager —

(a) must manage the relevant business in the name of and on behalf of the payment entity; and
(b) is treated as an agent of the payment entity.

(3) In managing the payment entity's relevant business, the Authority or statutory manager has all the duties, powers and functions of the members of the board of directors of the payment entity (collectively and individually) under —

(a) this Act;

(b) the Companies Act (Cap. 50); and

(c) the payment entity's constitution,

including powers of delegation, in relation to the relevant business.

(4) Despite subsection (5), the Authority or statutory manager is not required to call any meeting of the payment entity under the Companies Act or the payment entity's constitution.

(5) Despite any written law or rule of law —

(a) upon the Authority or statutory manager assuming control of any business of a payment entity under section 80(2)(c), any appointment of an individual as chief executive officer or director of the payment entity that was in force immediately before the assumption of control is treated as revoked, unless the Authority gives its approval, by notice in writing to the individual and the payment entity, for the individual to remain in the appointment; and

(b) during the period when the Authority or statutory manager is in control of the payment entity's relevant business, an individual must not be appointed as chief executive officer or director of the payment entity, except with the approval of the Authority.

(6) Where the Authority has given its approval under subsection (5) for an individual to remain in the appointment of, or to be appointed as, chief executive officer or director of a payment entity, the Authority may at any time, by notice in writing to the individual, revoke its approval and such appointment is treated as revoked on the date specified in the notice.

(7) Despite any written law or rule of law, if any individual whose appointment as chief executive officer or director of a payment entity is revoked under subsection (5) or (6), acts or purports to act after the revocation as chief executive officer or director of the payment entity during the period when the Authority or statutory manager is in control of the payment entity's relevant business under section 80(2)(c) —

(a) the act or purported act of the individual is invalid and of no effect; and

(b) the individual shall be guilty of an offence.

(8) Despite any written law or rule of law, if any individual who is appointed as chief executive officer or director of a payment entity in contravention of subsection (5) acts or purports to act as chief executive officer or director of the payment entity during the period

when the Authority or statutory manager is in control of the payment entity's relevant business under section 80(2)(c)—

(a) the act or purported act of the individual is invalid and of no effect; and
(b) the individual shall be guilty of an offence.

(9) During the period when the Authority or statutory manager is in control of a payment entity's relevant business —

(a) if there is any conflict or inconsistency between —
(i) a direction or decision given by the Authority or statutory manager (including a direction or decision given to a person or body of persons mentioned in sub‑paragraph (ii)); and
(ii) a direction or decision given by any chief executive officer, director, member, executive officer, employee, agent, office‑holder, or the board of directors, of the payment entity, or any trustee for the payment entity,

the direction or decision mentioned in sub‑paragraph (i) prevails over the direction or decision mentioned in sub‑paragraph (ii) to the extent of the conflict or inconsistency; and

(b) a person must not exercise any voting or other right attached to any share in the payment entity in any manner that may defeat or interfere with any duty, power or function of the Authority or statutory manager, and any such act or purported act is invalid and of no effect.

(10) Any individual who is guilty of an offence under subsection (7) or (8) shall be liable on conviction to a fine not exceeding $125,000 or to imprisonment for a term not exceeding 3 years or to both and, in the case of a continuing offence, to a further fine not exceeding $12,500 for every day or part of a day during which the offence continues after conviction.

Other provisions concerning control

83.—(1) The Authority must cease to be in control of a payment entity's relevant business when the Authority is satisfied that the reasons for its assumption of control of the relevant business have ceased to exist.

(c) A statutory manager is treated to have assumed control of a payment entity's relevant business on the date of the statutory manager's appointment as a statutory manager.

(2) Without affecting the generality of section 80(4)(a), the Authority may at any time revoke the appointment of a statutory manager in relation to a payment entity's relevant business —

(a) if the Authority is satisfied that the reasons for the appointment have ceased to exist; or
(b) on any other ground.

(3) The statutory manager must cease to be in control of the relevant business upon revocation of its appointment under subsection (3) or section 80(4)(a).

(4) The Authority must publish in the *Gazette* the date, and such other particulars as it thinks fit, of —

(a) its assuming control of a payment entity's relevant business;
(b) the cessation of its control of a payment entity's relevant business;
(c) the appointment of a statutory manager in relation to a payment entity's relevant business; and
(d) the revocation of a statutory manager's appointment in relation to a payment entity's relevant business.

Responsibilities of directors, officers, etc., of the payment entity

84.—(1) During the period when the Authority or statutory manager is in control of a payment entity's relevant business —

(a) the High Court may, on an application of the Authority or statutory manager, direct any former or current relevant person of the payment entity to pay, deliver, convey, surrender or transfer to the Authority or statutory manager, within such period as the High Court may specify, any property or book of the payment entity that —
  (i) forms part of or relates to the business of the payment entity; and
  (ii) is in the person's possession or control; and
(b) any former or current relevant person of the payment entity must provide the Authority or statutory manager such information as the Authority or statutory manager may require to —
  (i) discharge its duties or functions; or
  (ii) exercise its powers,

in relation to the payment entity, within such time and in such manner as the Authority or statutory manager may specify.

(2) Any person who —

(a) without reasonable excuse, fails to comply with subsection (1)(b); or
(b) in purported compliance with subsection (1)(b), knowingly or recklessly provides any information or document that is false or misleading in a material particular,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both and, in the case of a continuing offence (if applicable), to a further fine not exceeding $5,000 for every day or part of a day during which the offence continues after conviction.

(3) In this section, "relevant person", in relation to a payment entity, means a chief executive officer, director, executive officer, employee, agent, banker, auditor or office‑holder of, or trustee for, the payment entity.

Remuneration and expenses of Authority and others in certain cases

85. The Authority may at any time fix the remuneration and expenses to be paid by a payment entity —

(a) to a statutory adviser or statutory manager appointed in relation to the payment entity, whether or not the appointment has been revoked; and

(b) where the Authority has assumed control of any business of a payment entity under section 80(2)(c), to the Authority and any person appointed by the Authority under section 5 in relation to its assumption of control of such business, whether or not the Authority has ceased to be in control of such business.

PART 6

ASSISTANCE TO FOREIGN REGULATORY AUTHORITIES

Interpretation of this Part

86. In this Part, unless the context otherwise requires —

"enforce" means enforce through criminal or administrative proceedings;

"enforcement" means the taking of any action to enforce a law or regulatory requirement against a specified person, being a law or regulatory requirement that relates to the payment systems or payment services of the foreign country of the regulatory authority concerned;

"foreign country" means a country or territory other than Singapore;

"investigation" means an investigation to determine if a specified person has contravened or is contravening a law or regulatory requirement, being a law or regulatory requirement that relates to the payment systems or payment services of the foreign country of the regulatory authority concerned;

"prescribed written law" means this Act, or any of the following written laws and subsidiary legislation made thereunder:

(a) Banking Act (Cap. 19);
(b) Finance Companies Act (Cap. 108);
(c) Financial Advisers Act (Cap. 110);
(d) Financial Holding Companies Act (Cap);

(e) Insurance Act (Cap. 142);
(f) Monetary Authority of Singapore Act (Cap. 186);
(g) Securities and Futures Act (Cap. 289);
(h) such other Act as the Authority may prescribe.

"material" includes any information, book, document or other record in any form whatsoever, and any container or article relating thereto;

"regulatory authority", in relation to a foreign country, means an authority of the foreign country exercising any function that corresponds to a regulatory function of the Authority under this Act;

"supervision", in relation to a regulatory authority, means the taking of any action for or in connection with the supervision of the licensee, an operator, a settlement institution or a participant of a designated payment system, or any other person, regulated by the regulatory authority.

Conditions for provision of assistance

87.—(1) The Authority may provide the assistance referred to in section 89 to a regulatory authority of a foreign country if the Authority is satisfied that all of the following conditions are fulfilled:

(a) the assistance is intended to enable the regulatory authority, or any other authority of the foreign country, to carry out the supervision, investigation or enforcement;
(b) the regulatory authority has given a written undertaking that any material or copy thereof obtained pursuant to its request shall not be used for any purpose other than a purpose that is specified in the request and approved by the Authority;
(c) the regulatory authority has given a written undertaking not to disclose to a third party (other than a designated third party of the foreign country in accordance with paragraph (d)) any material received pursuant to the request unless the regulatory authority is compelled to do so by the law or a court of the foreign country;
(d) the regulatory authority has given a written undertaking to obtain the prior consent of the Authority before disclosing any material received pursuant to the request to a designated third party, and to make such disclosure only in accordance with such conditions as may be imposed by the Authority;
(e) the material requested is of sufficient importance to the carrying out of the supervision, investigation or enforcement to which the request relates and cannot reasonably be obtained by any other means;
(f) the matter to which the request relates is of sufficient gravity; and
(g) the rendering of assistance will not be contrary to the public interest.

(2) For the purposes of subsection (1)(c) and (d), "designated third party", in relation to a foreign country, means —

(a) any person or body responsible for supervising the regulatory authority in question;

(b) any authority of the foreign country responsible for carrying out the supervision, investigation or enforcement in question; or

(c) any authority of the foreign country exercising a function that corresponds to a regulatory function of the Authority under this Act.

Other factors to consider for provision of assistance

88. In deciding whether to grant a request for assistance referred to in section 89 from a regulatory authority of a foreign country, the Authority may also have regard to the following:

(a) whether the act or omission that is alleged to constitute the contravention of the law or regulatory requirement to which the request relates would, if it had occurred in Singapore, have constituted an offence under this Act;

(b) whether the regulatory authority has given or is willing to give an undertaking to the Authority to comply with a future request by the Authority to the regulatory authority for similar assistance; and

(c) whether the regulatory authority has given or is willing to give an undertaking to the Authority to contribute towards the costs of providing the assistance that the regulatory authority has requested.

Assistance that may be rendered

89.—(1) Notwithstanding the provisions of any prescribed written law or any requirement imposed thereunder or any rule of law, the Authority or any person authorised by the Authority may, in relation to a request by a regulatory authority of a foreign country for assistance —

(a) transmit to the regulatory authority any material in the possession of the Authority that is requested by the regulatory authority or a copy thereof;

(b) order any person to furnish to the Authority any material that is requested by the regulatory authority or a copy thereof, and transmit the material or copy to the regulatory authority;

(c) order any person to transmit directly to the regulatory authority any material that is requested by the regulatory authority or a copy thereof;

(d) order any person to make an oral statement to the Authority on any information requested by the regulatory authority, record such statement, and transmit the recorded statement to the regulatory authority; or

(e) request any Ministry, Government department or statutory authority to furnish to the Authority any material that is requested by the regulatory authority or a copy thereof, and transmit the material or copy to the regulatory authority.

(2) The assistance referred to in subsection (1)(c) may only be rendered if the material sought is to enable the regulatory authority to carry out investigation or enforcement.

(3) An order under subsection (1)(b), (c) or (d) shall have effect notwithstanding any obligations as to secrecy or other restrictions upon the disclosure of information imposed by

any prescribed written law or any requirement imposed thereunder, any rule of law, any contract or any rule of professional conduct.

(4) Nothing in this section shall compel an advocate and solicitor —

(a) to furnish or transmit any material or copy thereof that contains; or
(b) to disclose,

a privileged communication made by or to him in that capacity.

(5) An advocate and solicitor who refuses to furnish or transmit any material or copy thereof that contains, or to disclose, any privileged communication shall nevertheless be obliged to give the name and address (if he knows them) of the person to whom, or by or on behalf of whom, the privileged communication was made.

(6) A person is not excused from making an oral statement pursuant to an order made under subsection (1)(d) on the ground that the statement might tend to incriminate him.

Offences under this Part

90.—(1) Any person who —

(a) without reasonable excuse refuses or fails to comply with an order under section 89(1)(b), (c) or (d);
(b) in purported compliance with an order made under section 89(1)(b) or (c), furnishes to the Authority or transmits to a regulatory authority any material or copy thereof known to the person to be false or misleading in a material particular; or
(c) in purported compliance with an order made under section 89(1)(d), makes a statement to the Authority that is false or misleading in a material particular,

shall be guilty of an offence.

(2) Any person who is guilty of an offence under subsection (1)(a) shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both and, in the case of a continuing offence, to a further fine not exceeding $5,000 for every day or part thereof during which the offence continues after conviction; or
(b) in any other case, to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part thereof during which the offence continues after conviction.

(3) Any person who is guilty of an offence under subsection (1)(b) or (c) shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both; or

(b) in any other case, to a fine not exceeding $100,000.

Immunities

91.—(1) No civil or criminal proceedings, other than proceedings for an offence under section 90, shall lie against any person for —

(a) furnishing to the Authority or transmitting any material or copy thereof to the Authority or a regulatory authority of a foreign country if he had furnished or transmitted that material or copy in good faith in compliance with an order made under section 89(1)(b) or (c);
(b) making a statement to the Authority in good faith and in compliance with an order made under section 89(1)(d); or
(c) doing or omitting to do any act, if he had done or omitted to do the act in good faith and as a result of complying with such an order.

(2) Any person who complies with an order referred to in subsection (1)(a) or (b) shall not be treated as being in breach of any restriction upon the disclosure of information or thing imposed by any prescribed written law or any requirement imposed thereunder, any rule of law, any contract or any rule of professional conduct.

PART 7

OFFENCES

Offences by corporations

92.—(1) Where, in a proceeding for an offence under this Act, it is necessary to prove the state of mind of a corporation in relation to a particular conduct, evidence that —

(a) an officer, employee or agent of the corporation engaged in that conduct within the scope of his or her actual or apparent authority; and
(b) the officer, employee or agent had that state of mind,

is evidence that the corporation had that state of mind.

(2) Where a corporation commits an offence under this Act, a person —

(a) who is —
    (i) an officer of the corporation, or a member of a corporation whose affairs are managed by its members; or
    (ii) an individual who is involved in the management of the corporation and is in a position to influence the conduct of the corporation in relation to the commission of the offence; and

(b) who —

(i) consented or connived, or conspired with others, to effect the commission of the offence;
(ii) is in any other way, whether by act or omission, knowingly concerned in, or is party to, the commission of the offence by the corporation; or
(iii) knew or ought reasonably to have known that the offence by the corporation (or an offence of the same type) would be or is being committed, and failed to take all reasonable steps to prevent or stop the commission of that offence,

shall (if this is not already an offence under section 94(1)) be guilty of the same offence as is the corporation, and shall be liable on conviction to be punished accordingly.

(3) A person mentioned in subsection (2) may rely on a defence that would be available to the corporation if it were charged with the offence with which the person is charged and, in doing so, the person bears the same burden of proof that the corporation would bear.

(4) To avoid doubt, this section does not affect the application of —
(a) Chapters V and VA of the Penal Code (Cap. 224); or
(b) the Evidence Act (Cap. 97) or any other law or practice regarding the admissibility of evidence.

(5) To avoid doubt, subsection (1) also does not affect the liability of the corporation for an offence under this Act, and applies whether or not the corporation is convicted of the offence.

(6) In this section —
"corporation" includes a limited liability partnership within the meaning of section 2(1) of the Limited Liability Partnerships Act (Cap. 163A);

"officer", in relation to a corporation, means any director, partner, chief executive, manager, secretary or other similar officer of the corporation, and includes —

(a) any person purporting to act in any such capacity; and
(b) for a corporation whose affairs are managed by its members, any of those members as if the member was a director of the corporation;

"state of mind" of a person includes —

(a) the knowledge, intention, opinion, belief or purpose of the person; and
(b) the person's reasons for the intention, opinion, belief or purpose.

Offences by unincorporated associations or partnerships

93.—(1) Where, in a proceeding for an offence under this Act, it is necessary to prove the state of mind of an unincorporated association or a partnership in relation to a particular conduct, evidence that —

(a) an employee or agent of the unincorporated association of the partnership engaged in that conduct within the scope of his or her actual or apparent authority; and
(b) the employee or agent had that state of mind,

is evidence that the unincorporated association or partnership had that state of mind.

(2) Where an unincorporated association or a partnership commits an offence under this Act, a person —

(a) who is —
  (i) an officer of the unincorporated association or a member of its governing body;
  (ii) a partner in the partnership; or
  (iii) an individual who is involved in the management of the unincorporated association or partnership and is in a position to influence the conduct of the unincorporated association or partnership (as the case may be) in relation to the commission of the offence; and
(b) who —
  (i) consented or connived, or conspired with others, to effect the commission of the offence;
  (ii) is in any other way, whether by act or omission, knowingly concerned in, or is party to, the commission of the offence by the unincorporated association or partnership; or
  (iii) knew or ought reasonably to have known that the offence by the unincorporated association or partnership (or an offence of the same type) would be or is being committed, and failed to take all reasonable steps to prevent or stop the commission of that offence,

shall be guilty of the same offence as is the unincorporated association or partnership (as the case may be), and shall be liable on conviction to be punished accordingly.

(3) A person mentioned in subsection (2) may rely on a defence that would be available to the unincorporated association or partnership if it were charged with the offence with which the person is charged and, in doing so, the person bears the same burden of proof that the unincorporated association or partnership would bear.

(4) To avoid doubt, this section does not affect the application of —
(a) Chapters V and VA of the Penal Code (Cap. 224); or
(b) the Evidence Act (Cap. 97) or any other law or practice regarding the admissibility of evidence.

(5) To avoid doubt, subsection (1) also does not affect the liability of an unincorporated association or a partnership for an offence under this Act, and applies whether or not the unincorporated association or partnership is convicted of the offence.

(6) In this section —

"officer", in relation to an unincorporated association (other than a partnership), means the president, the secretary, or any member of the committee of the unincorporated association, and includes —

(a) any person holding a position analogous to that of president, secretary or member of a committee of the unincorporated association; and
(b) any person purporting to act in any such capacity;

"partner" includes a person purporting to act as a partner;

"state of mind" of a person includes —

(a) the knowledge, intention, opinion, belief or purpose of the person; and
(b) the person's reasons for the intention, opinion, belief or purpose.

Offences by officers

94.—(1) Any officer of —

(a) a licensee; or
(b) a participant, an operator or a settlement institution of a payment system;

whose duty is or includes ensuring that the licensee, participant, operator or settlement institution, as the case may be, complies with a provision of this Act, who fails to take all reasonable steps to secure such compliance, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both.

(2) Any officer of —

(a) a licensee; or
(b) a participant, an operator or a settlement institution of a payment system;

whose duty is or includes submitting information to the Authority or any other person under this Act, who fails to take all reasonable steps to ensure the accuracy and correctness of any information so submitted, shall (if such failure is not already an offence under section 96(1) or (2)) be guilty of an offence and shall be liable on conviction to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both.

(3) In any proceedings against an officer under subsection (1) or (2), it is a defence for the officer to prove that he or she had reasonable grounds for believing that —

(a) another individual was charged with the duty of —
    (i) securing compliance with the requirements of this Act; or
    (ii) ensuring that the information submitted was accurate,

as the case may be; and

(b) that individual was competent, and in a position, to discharge that duty.

(4) An officer is not to be sentenced to imprisonment for any offence under subsection (1) or (2) unless, in the opinion of the court, he or she committed the offence wilfully.

Falsification of records by officers, etc.

95.—(1) Any officer, auditor, employee or agent of —

(a) licensee; or

(b) a participant, an operator or a settlement institution of a payment system;

who—

(i) wilfully makes, or causes to be made, a false entry in any book, or in any report, slip, document or statement of the business, affairs, transactions, conditions or assets of that licensee, participant, operator or settlement institution, as the case may be;

(ii) wilfully omits to make an entry in any book, or in any report, slip, document or statement of the business, affairs, transactions, conditions or assets of that licensee, participant, operator or settlement institution, as the case may be, or wilfully causes any such entry to be omitted; or

(iii) wilfully alters, extracts, conceals or destroys an entry in any book, or in any report, slip, document or statement of the business, affairs, transactions, conditions or assets of that licensee, participant, operator or settlement institution, as the case may be, or wilfully causes any such entry to be altered, extracted, concealed or destroyed,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $125,000 or to imprisonment for a term not exceeding 3 years or to both.

(2) In subsection (1), "officer" includes a person purporting to act in the capacity of an officer.

Duty to use reasonable care not to provide false information to Authority

96.—(1) Any individual who provides the Authority with any information under or for the purposes of any provision of this Act must use reasonable care to ensure that the information is not false or misleading in any material particular.

(2) Any individual who —

(a) signs any document lodged with the Authority; or

(b) lodges with the Authority any document by electronic means using any identification or identifying code, password or other authentication method or procedure assigned to him or her by the Authority,

must use reasonable care to ensure that the document is not false or misleading in any material particular.

(3) Any individual who contravenes subsection (1) or (2) shall (if the provision of such information, or the signing or lodging of such document, that is false or misleading in a material particular is not already an offence under any other provision of this Act) be guilty of an offence and shall be liable on conviction to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both.

General penalty

97. Any person guilty of an offence under this Act for which no penalty is expressly provided shall be liable on conviction —

(a) in the case of an individual, to a fine not exceeding $50,000; or

(b) in any other case, to a fine not exceeding $100,000.

Composition of offences

98.—(1) The Authority may, in its discretion, compound any offence under this Act that is prescribed as a compoundable offence by collecting from a person reasonably suspected of having committed the offence a sum of money not exceeding half of the amount of the maximum fine prescribed for that offence.

(2) The Authority may, in its discretion, compound any offence under this Act (including an offence under a provision that has been repealed) that —

(a) was compoundable under this section when the offence was committed; but

(b) has ceased to be so compoundable,

by collecting from a person reasonably suspected of having committed the offence a sum of money not exceeding half of the amount of the maximum fine prescribed for that offence at the time it was committed.

(3) On payment of the sum of money mentioned in subsection (1) or (2), no further proceedings may be taken against that person in respect of the offence.

(4) All sums collected by the Authority under subsection (1) or (2) are to be paid into the Consolidated Fund.

PART 8

MISCELLANEOUS

Jurisdiction of the District Court

99. Despite any provision to the contrary in the Criminal Procedure Code (Cap. 68), a District Court has —

(a) jurisdiction to try any offence under this Act; and
(b) power to impose the full penalty or punishment in respect of any offence under this Act.

Opportunity to be heard

100. Where this Act provides for a person to be given an opportunity to be heard by the Authority, the Authority may prescribe the manner in which the person is to be given such opportunity to be heard.

Power of the court to make certain orders

101.—(1) Where, on an application of the Authority, it appears to the court that a person —
(a) has committed an offence under this Act; or
(b) is about to do an act that, if done, would be an offence under this Act,

the court may (without prejudice to any other order it may make) make one or more of the orders under subsection (2).

(2) The orders mentioned in subsection (1) are —
(a) in the case of a persistent or continuing contravention of a provision of this Act, an order restraining a person from —
(i) carrying on business in providing one or more types of payment services;
(ii) carrying on the business of operating a payment system;
(iii) carrying on the business as a settlement institution of a payment system;
(iv) holding itself out as a licensee;
(v) holding itself out as an operator or settlement institution of a designated payment system;

(b) for the purpose of securing compliance with any order made under this section, an order directing a person to do or refrain from doing any specified act; or

(c) any ancillary order the court considers to be desirable as a result of making any other order under this section.

(3) The court may, before making an order under subsection (2), direct that notice of the application be given to such person as it thinks fit or that notice of the application be published in such manner as it thinks fit, or both.

(4) Any person that, without reasonable excuse, contravenes an order made under subsection (2) shall be guilty of an offence and shall be liable on conviction —
(a) in the case of an individual, to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both; or
(b) in any other case, to a fine not exceeding $100,000.

(5) Subject to subsection (6), subsection (4) does not affect the powers of the court in relation to the punishment of contempt of court.

(6) Where a person is convicted of an offence under subsection (4) in respect of any contravention of an order made under subsection (2), such contravention is not punishable as a contempt of court.

(7) A person cannot be convicted of an offence under subsection (4) in respect of any contravention of an order made under subsection (2) that has been punished as a contempt of court.

(8) The court may rescind, vary or discharge an order made by it under this section or suspend the operation of such an order.

General exemption

102.—(1) The Authority may, by regulations, exempt any person or any class of persons from all or any of the provisions of this Act, subject to such conditions as may be prescribed.

(2) The Authority may, on the application of any person, exempt the person from —

(a) all or any of the provisions of this Act; or

(b) the requirements specified in any notice in writing,

if the Authority considers it appropriate to do so in the circumstances of the case.

(3) An exemption under subsection (2) —

(a) may be granted by notice in writing subject to such conditions as the Authority may specify in the notice;

(b) need not be published in the *Gazette*; and

(c) may be varied or withdrawn at any time by the Authority.

(4) The Authority may at any time add to, vary or revoke any term or condition imposed under this section.

(5) Any person that contravenes any condition —

(a) prescribed under subsection (1);

(b) specified by the Authority under subsection (3)(a); or

(c) added or varied under subsection (4),

shall be guilty of an offence.

Codes, guidelines, etc. by Authority

103.—(1) The Authority may issue, and in its discretion publish by notification in the *Gazette* or in any other manner it considers appropriate, such codes, guidelines, policy

statements, practice notes and no‑action letters as it considers appropriate for providing guidance —

(a) in furtherance of its regulatory objectives;

(b) in relation to any matter relating to any of its functions under this Act; or

(c) in relation to the operation of any of the provisions of this Act.

(2) The Authority may, at any time, amend or revoke the whole or any part of any code, guideline, policy statement, practice note or no‑action letter issued under this section.

(3) Where amendments are made under subsection (2) —

(a) the other provisions of this section apply, with the necessary modifications, to such amendments as they apply to the code, guideline, policy statement, practice note or no‑action letter; and

(b) any reference in this Act or any other written law to the code, guideline, policy statement, practice note or no-action letter, however expressed, is (unless the context otherwise requires) a reference to the code, guideline, policy statement, practice note or no‑action letter as so amended.

(4) Any failure by a person to comply with any provision of a code, guideline, policy statement or practice note issued under this section to the person does not of itself render that person liable to criminal proceedings, but any such failure may, in any proceedings, whether civil or criminal, be relied upon by any party to the proceedings as tending to establish or negate any liability that is in question in the proceedings.

(5) The issue by the Authority of a no‑action letter does not of itself prevent the institution of any proceedings against any person for the contravention of any provision of this Act.

(6) Any code, guideline, policy statement or practice note issued under this section may be of general or specific application, and may specify that different provisions of such code, guideline, policy statement or practice note apply to different circumstances or provide for different cases or classes of cases.

(7) To avoid doubt, any code, guideline, policy statement, practice note or no‑action letter issued under this section is not to be treated as subsidiary legislation.

(8) In this section, "no‑action letter" means a letter written by the Authority to a person to the effect that, if the facts are as represented by the person, the Authority will not institute proceedings against the person in respect of a particular state of affairs or particular conduct.

Power of Authority to issue notice in writing

104.—(1) The Authority may, if it thinks it necessary or expedient for the effective administration of the Act, for the protection of consumers or in the interest of the public or a

section of the public, or for ensuring the integrity and proper management of a designated payment system or ensuring the integrity of the e-money stored in a payment account, issue a notice in writing, either of a general or a specific nature, to —

(a) any licensee;
(b) any class of licensee;
(c) any operator of a designated payment system;
(d) any class of operators of a designated payment system;
(e) any settlement institution of a designated payment system;
(f) any class of settlement institutions of a designated payment system;
(g) any participant of a designated payment system;
(h) any class of participants of a designated payment system;
(i) any exempt person;
(j) any class of exempt persons;
(k) any person exempt under section 102; or
(l) any class of persons exempt under section 102,

to comply with such requirements as the Authority may specify in the notice.

(2) Without affecting the generality of subsection (1), a notice may be issued —

(a) with respect to —

(i) the activities that may be carried out by the licensee, the operator, settlement institution or participant, as the case may be, in relation to its business;
(ii) the standards, framework, policies and procedures for the prudent management of risks (including information technology risks);
(iii) the financial soundness, financial management and stability of the licensee, operator, settlement institution or participant, as the case may be;
(iv) the standards to be maintained by the licensee, operator, settlement institution or participant, as the case may be, in the conduct of its business;
(v) the arrangement and conditions that are to apply if the licensee, operator, settlement institution or participant, as the case may be, appoints any person as an independent contractor to carry out any of the functions and duties of the licensee, operator, settlement institution or participant, as the case may be;
(vi) the type, form, manner and frequency of returns and other information to be submitted to the Authority;
(vii) the preparation and publication of reports on the performance of the licensee, operator, settlement institution or participant;
(viii) the remuneration of an auditor appointed under this Act and the costs of an audit carried out under this Act;
(ix) the appropriate action to be taken by a participant or class of participants, or the operator or settlement institution in relation to its business;
(x) the appointment of a person approved by the Authority to advise the participant or class of participants, or the operator or the settlement institution, on the proper conduct of its business;

(xi) the collection by or on behalf of the Authority of information from the licensee, operator, settlement institution or participant of a payment system, as the case may be, in relation to the conduct of its business at such intervals or on such occasions as may be set out in the notice; and

(xii) the manner in which licensees and operators, settlement institutions and participants conduct their dealings with their customers, conflicts of interest involving the licensees and operators, settlement institutions and participants with their customers and the duties of the licensees to their customers in the operation of payment accounts;

(xiii) the requirement for a licensee carrying on business in providing money-changing services or cross border money transfer services to display or exhibit such cautionary statements as the Authority thinks fit in a conspicuous place at every place where he or it carries on business in providing money-changing services or cross border money transfer services, as the case may be; and

(xiv) the requirement for a licensee to provide cautionary statements in writing to the licensee's customers.

(b) where any person is contravening, is likely to contravene or has contravened, any provision of this Act, to require the person —

(i) to comply with that provision or to cease contravening that provision;

(ii) to take any action necessary to enable the person to conduct the person's business in accordance with sound principles; and

(iii) where the person is a company, to remove any of its directors; and

(c) for any other purpose specified in this Act.

(3) It is not necessary to publish any notice in writing issued under subsection (1) in the *Gazette*.

(4) The Authority may at any time vary, rescind or revoke any notice issued under subsection (1).

(5) Any person that fails to comply with any requirement specified in a notice issued under subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $100,000 and, in the case of a continuing offence, to a further fine not exceeding $10,000 for every day or part of a day during which the offence continues after conviction.

Power of Authority to prescribe regulations

105.—(1) The Authority may make regulations prescribing matters required or permitted by this Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to this Act.

(2) Without affecting the generality of subsection (1), the Authority may make regulations for or with respect to —

(a) the fees to be paid in respect of any matter or thing required for the purposes of this Act;

(b) the corporate governance of a licensee, an operator or settlement institution of a designated payment system;

(c) prescribing the offences that may be compounded;

(d) prescribing the procedure—

(i) for the use of the electronic service mentioned in section 108; and

(ii) in circumstances where there is a breakdown or interruption of the electronic service;

(e) the imposition, variation or revocation of an access regime, and such transitional or savings provisions as the Authority may consider necessary or expedient;

(f) the acquisition or holding of shares or any other interest in an operator of a designated payment system;

(g) the acquisition or holding of shares or any other interest by an operator of a designated payment system in any other person;

(h) different requirements for the audit of accounts in relation to different designated payment systems;

(i) the responsibilities of an operator or a settlement institution of a designated payment system relating to the audit of its accounts; and

(j) the procedures applicable in the event of a default in payment obligations, including the suspension and re-admission of participants of a designated payment system.

(3) Except as otherwise expressly provided in this Act, regulations made under this Act —

(a) may be of general or specific application;

(b) may contain provisions of a savings or transitional nature;

(c) may provide that a contravention of any specified provision of the regulations shall be an offence; and

(d) may provide —

(i) in the case of an individual, for penalties not exceeding a fine of $50,000 or imprisonment for a term not exceeding 2 years or both for each offence and, in the case of a continuing offence, a further penalty not exceeding a fine of $5,000 for every day or part of a day during which the offence continues after conviction; and

(ii) in any other case, for penalties not exceeding a fine of $100,000 and, in the case of a continuing offence, a further penalty not exceeding a fine of $10,000 for every day or part of a day during which the offence continues after conviction.

Publication of certain information

106.—(1) The Authority may, from time to time, prepare and publish —

(a) consolidated statements aggregating any information provided under this Act; or

(b) for statistical purposes, statements that relate to or are derived from any information provided under this Act in respect of a payment system or any payment service provided by any licensee, being the only payment system or payment service in its class.

(2) The Authority may, from time to time and in such form or manner as it considers appropriate, publish such information as the Authority may consider necessary or expedient to publish in the public interest, including information relating to all or any of the following:

(a) the lapsing, surrender, revocation or suspension of the licence of any person under section 12;

(b) the acceptance by any person of an offer to compound an offence under section 98;

(c) the revocation or withdrawal of any exemption granted under this Act;

(d) the conviction of any person for any offence under this Act;

(e) any other action taken by the Authority against any person under this Act.

Service of documents

107.—(1) A document that is permitted or required by this Act to be served on a person may be served as described in this section.

(2) A document permitted or required by this Act to be served on an individual may be served —

(a) by giving it to the individual personally;

(b) by sending it by prepaid registered post to the address specified by the individual for the service of documents or, if no address is so specified, the individual's residential address or business address;

(c) by leaving it at the individual's residential address with an adult apparently resident there, or at the individual's business address with an adult apparently employed there;

(d) by affixing a copy of the document in a conspicuous place at the individual's residential address or business address;

(e) by sending it by fax to the fax number last known to the person giving or serving the document as the fax number for the service of documents on the individual; or

(f) by sending it by email to the individual's last email address.

(3) A document permitted or required by this Act to be served on a partnership (other than a limited liability partnership) may be served —

(a) by giving it to any partner or other like officer of the partnership;

(b) by leaving it at, or by sending it by prepaid registered post to, the partnership's business address;

(c) by sending it by fax to the fax number used at the partnership's business address; or

(d) by sending it by email to the partnership's last email address to the person giving or serving the document by the partnership.

(4) A document permitted or required by this Act to be served on a body corporate (including a limited liability partnership) or an unincorporated association may be served —

(a) by giving it to the secretary or other similar officer of the body corporate or the unincorporated association, or the limited liability partnership's manager;

(b) by leaving it at, or by sending it by prepaid registered post to, the body corporate's or unincorporated association's registered office or principal office;

(c) by sending it by fax to the fax number used at the body corporate's or unincorporated association's registered office or principal office; or

(d) by sending it by email to the body corporate's or unincorporated association's last email address.

(5) Service of a document under subsection (2), (3) or (4) takes effect —

(a) if the document is sent by fax and a notification of successful transmission is received, on the day of transmission;

(b) if the document is sent by prepaid registered post, 2 days after the day the document was posted (even if it is returned undelivered); and

(c) if the document is sent by email, at the time the email becomes capable of being retrieved by the person.

(6) This section does not apply to documents to be served in proceedings in court.

(7) In this section —

"business address" means —

(a) in the case of an individual, the individual's usual or last known place of employment or place for carrying on business, in Singapore; or

(b) in the case of a partnership (other than a limited liability partnership), the partnership's principal or last known place for carrying on business in Singapore;

"document" includes a notice permitted or required by this Act to be served;

"last email address" means—

(a) the last email address given by the addressee concerned to the person giving or serving the document as the email address for the service of documents under this Act; or

(b) the last email address of the addressee concerned known to the person giving or serving the document;

"residential address" means an individual's usual or last known place of residence in Singapore.

Electronic service

108.—(1) The Authority may provide an electronic service for the service of any document that is required or authorised by this Act to be served on any person.

(2) For the purposes of the electronic service, the Authority may assign to any person —

(a) an authentication code; and

(b) an account with the electronic service.

(3) Despite section 107, where a person has given consent for any document to be served on the person through the electronic service —

(a) the Authority may serve the document on that person by transmitting an electronic record of the document to that person's account with the electronic service; and

(b) the document is treated as having been served at the time when an electronic record of the document enters the person's account with the electronic service.

(4) In this section —

"account with the electronic service", in relation to any person, means a computer account within the electronic service that is assigned by the Authority to the person for the storage and retrieval of electronic records relating to the person;

"authentication code", in relation to any person, means an identification or identifying code, a password or any other authentication method or procedure that is assigned to the person for the purposes of identifying and authenticating the access to and use of the electronic service by the person;

"document" includes a notice and order;

"electronic record" has the same meaning as in section 2(1) of the Electronic Transactions Act (Cap. 88).

Amendment of Schedules

109.—(1) The Minister may from time to time, by order published in the *Gazette*, amend, add to or vary the First, Second or Third Schedule.

(2) The Minister may, in any order made under subsection (1), make such incidental, consequential or supplementary provisions as may be necessary or expedient.

(3) Any order made under subsection (1) is to be presented to Parliament as soon as possible after publication in the *Gazette*.

FIRST SCHEDULE

Section 2 and 109 and Second Schedule

REGULATED ACTIVITIES

PART I

TYPE OF PAYMENT SERVICES

The following are payment services for the purposes of this Act:

1. providing account issuance services;
2. providing domestic money transfer services;
3. providing cross border money transfer services;
4. providing merchant acquisition services;
5. e-money issuance;
6. providing virtual currency services;
7. providing money-changing services.

PART II

INTERPRETATION

1. In this Schedule —

"direct debit" means the act of debiting the payer's payment account where a payment transaction is initiated by the payee on the basis of consent given by the payer to the payee, to the payee's payment service provider or to the payer's own payment service provider;

"dealing in virtual currency" means—

(a) buying virtual currency; or
(b) selling virtual currency,

in exchange for another virtual currency or for any currency, but does not include—

(i) facilitating the exchange of virtual currency;
(ii) accepting virtual currency as a means of payment for the provision of goods or services; or
(iii) using virtual currency as a means of payment for the provision of goods or services.

"e-money issuance" means issuing e-money in Singapore or to persons in Singapore;

"facilitating the exchange of virtual currency" means the establishment or operation of a virtual currency exchange where the person who establishes or operates the virtual currency exchange comes into possession (whether in advance or otherwise) of money or virtual currency in respect of any offer or invitation to exchange, buy or sell virtual currency;

"financial institution" means—

(a) any person that is licensed, approved, registered or regulated by the Authority under any written law and includes any person that is exempted under the relevant law from being licensed, approved, registered or regulated; or
(b) any person that is licensed, approved, registered or otherwise regulated under any law administered by a corresponding authority in a foreign country to carry on any financial activities in that country, or that is exempted from such licensing, approval, registration or regulation for the carrying on of any financial activities in that country.

"providing account issuance services" means—

(a) issuing a payment account to any person in Singapore; or
(b) providing in Singapore services in relation to any of the operations required for operating a payment account, including—
    (i) services enabling money to be placed on a payment account; or
    (ii) services enabling money to be withdrawn from a payment account.

other than providing domestic money transfer services.

"providing domestic money transfer services" means accepting money for the purpose of executing or arranging for the execution of one or more of the following payment transactions in Singapore, where the payment service user is not a financial institution—

(a) payment transactions executed from, by way of or through a payment account;
(b) direct debits including one-off direct debits through a payment account;
(c) credit transfers, including standing orders through a payment account; or
(d) accepting any money from any person (A) for transfer to another person's (B) payment account , where both A and B are not the same person.

"providing cross border money transfer services" means, whether as principal or agent—

(a) accepting moneys in Singapore for the purpose of transmitting, or arranging for the transmission, of moneys to any person in another country or territory outside Singapore; or

(b) receiving for, or arranging for the receipt by, any person in Singapore, moneys from a country or territory outside Singapore,

but does not include such other services that the Authority may prescribe.

"providing merchant acquisition services" means contracting with a merchant to accept and process payment transactions, which result in a transfer of money to the merchant, whether or not the payment service provider comes into possession of money in respect of the payment transactions, where the merchant carries on business in Singapore, is incorporated, formed or registered in Singapore, or the contract is entered into in Singapore.

"providing money-changing services" means buying or selling foreign currency notes;

"providing virtual currency services" means—

(a) dealing in virtual currency;
(b) facilitating the exchange of virtual currency; or
(c) such other service relating to virtual currency as the Authority may prescribe,

in Singapore or providing such services to persons in Singapore but does not include such other service relating to virtual currency as the Authority may prescribe.

"virtual currency exchange" means a place at which, or a facility (whether electronic or otherwise)—

(a) by means of which offers or invitations to exchange, buy or sell virtual currency in exchange for another virtual currency or for any currency are regularly made on a centralised basis,
(b) where the offers or invitations that are made are intended or may reasonably be expected to result, whether directly or indirectly, in the acceptance or making, respectively, of offers to exchange, sell or buy virtual currencies; and
(c) where the persons making the offers or invitations to exchange buy or sell virtual currency are different from the persons accepting the offers or making the offers, to exchange, sell or buy virtual currencies,

but does not include a place or facility used by only one person—

(i) to regularly make offers or invitations to sell, purchase or exchange virtual currencies; or
(ii) to regularly accept offers to sell, purchase or exchange virtual currencies;

2. For the purposes of this Schedule, a person is deemed to be—

(a) carrying on cross border money transfer if he offers to transmit money on behalf of any person to another person resident in another country and this includes offers to transmit money on behalf of any person in a country or territory outside of Singapore to a person resident in Singapore; and

(b) providing money-changing services if he offers to buy or sell any foreign currency notes.

SECOND SCHEDULE

Section 2 and 109

EXCLUDED SERVICES

PART I
EXCLUDED PAYMENT SERVICES

The following are excluded payment services for the purposes of this Act:

1. Payment transactions between the payer and payee executed 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, but does not include payment transactions executed on an online marketplace.

2. The professional physical transport of currency, including their collection, processing and delivery.

3. Payment transactions consisting of non-professional currency collection and delivery as part of a not-for-profit or charitable activity.

4. Payment transactions based on any of the following documents drawn on a person with a view to placing money at the disposal of the payee—

(a) cheques, cashiers' orders, drawing vouchers, dividend warrants, demand drafts, remittance receipts, travellers cheques or gift cheques; or

(b) paper postal orders.

5. Payment transactions carried out within a payment or securities settlement system between payment service providers and settlement agents, central counterparties, clearing houses, central banks or other participants in the system.

6. Any service provided by any technical service provider, which supports the provision of payment services, where the provider does not at any time enter into possession of the money to be transferred, including—
    (a) the processing and storage of data;
    (b) trust and privacy protection services;
    (c) data and entity authentication;
    (d) information technology;
    (e) communication network provision; and
    (f) the provision and maintenance of terminals and devices used for payment services.

7. Payment transactions carried out between payment services providers, or their agents or branches, for their own account.

8. Payment transactions between or among related corporations as defined in section 4 of the Companies Act (Cap. 50), where there is no intermediary intervention by any payment service provider unless the payment service provider is one of the related corporations.

9. Any payment service provided by any person licensed approved, registered or regulated, including a person exempted from licensing, approval, registration or regulation, under any of the following Acts:
    (a) Securities and Futures Act (Cap. 289);
    (b) Financial Advisers Act (Cap. 110);
    (c) Trust Companies Act (Cap. 336);
    (d) Insurance Act (Cap. 142),

    where such payment service is solely incidental to or solely necessary for the person's carrying on of the business in any regulated activity under the respective Act or Acts.

10. Dealing in central bank virtual currency carried out by a central bank or financial institution.

11. Facilitating the exchange of central bank virtual currency carried out by a central bank or financial institution.

12. Any payment service provided by any person in respect of limited purpose e-money only.

13. Dealing in limited purpose virtual currency.

14. Facilitating the exchange of limited purpose virtual currency.

PART II
INTERPRETATION

In this Schedule—

"central bank virtual currency" means virtual currency that is issued by a central bank or by any entity that a central bank delegates the power, function or duty to issue such virtual currency to;

"commercial agent" means any person who carries on a business acting as an authorised agent on behalf of another person for the purposes of negotiating or concluding the sale or purchase of goods or services on behalf of that other person;

"financial institution" has the same meaning as in the First Schedule;

"financial product" means any product or service that is provided by a financial institution;

"franchise" means a written agreement or arrangement between 2 or more persons by which —

(a) a party (referred to in this definition as the franchisor) to the agreement or arrangement authorises or permits another party (referred to in this definition as the franchisee), or a person associated with the franchisee, to exercise the right to engage in the business of offering, selling or distributing goods or services in Singapore under a plan or system controlled by the franchisor or a person associated with the franchisor;

(b) the business carried on by the franchisee or the person associated with the franchisee, as the case may be, is capable of being identified by the public as being substantially associated with a trade or service mark, logo, symbol or name identifying, commonly connected with or controlled by the franchisor or a person associated with the franchisor;

(c) the franchisor exerts, or has authority to exert, a significant degree of control over the method or manner of operation of the franchisee's business;

(d) the franchisee or a person associated with the franchisee is required under the agreement or arrangement to make payment or give some other form of consideration to the franchisor or a person associated with the franchisor; and

(e) the franchisor agrees to communicate to the franchisee, or a person associated with the franchisee, knowledge, experience, expertise, know-how, trade secrets or other information whether or not it is proprietary or confidential;

"in-game assets" means any digital representation of value that—

(a) is purchased or otherwise acquired by a person (referred to in this definition as the game player);
(b) is not denominated in any currency;
(c) is issued by an issuer as part of an online game; and
(d) is used by the game player for payment of or exchange for virtual objects or services in the online game.

"online marketplace" means an electronic facility by means of which, offers or invitations to exchange, sell or purchase goods or services are regularly made on a centralised basis, being offers or invitations that are intended or may reasonably be expected to result, whether directly or indirectly, in the acceptance or making, respectively, of offers to exchange, sell or purchase goods or services through the facility;

"limited purpose e-money" means any one or more of the following:

(a) electronically stored monetary value in any payment account that is, or is intended to be, used only in Singapore—
  (i) for payment or part payment of the purchase of goods from the issuer or use of services of the issuer, or both; or
  (ii) for payment of or part payment of the purchase of goods from a limited network of goods or service providers who have a commercial arrangement with the issuer or use of services of a limited network of goods or service providers who have a commercial arrangement with the issuer, or both;
(b) electronically stored monetary value in any payment account, that is or is intended to be, used only in Singapore and—
  (i) all the monetary value stored in the payment account is issued by a public authority; or
  (ii) that a public authority has undertaken to be fully liable for or provided a guarantee in respect of, all the monetary value stored in the payment account, in the event of default by the issuer.
(c) electronically stored monetary value in any payment account, that—
  (i) is denominated in any currency;
  (ii) is issued by an issuer as part of a scheme, the dominant purpose of which is to promote the purchase of goods from, or the use of services of, the issuer, or by such merchants as may be specified by the issuer;
  (iii) is issued to a user as a result of the user purchasing goods from, or using the services of, the issuer, or such merchants as may be specified by the issuer;
  (iv) is used for payment or part payment of the purchase of goods or use of services, or both;
  (v) is not part of a financial product;

(vi) cannot be withdrawn by the user from the payment account in exchange for currency; and

(vii) cannot be refunded entirely to the user where the electronically stored monetary value is more than S$100, unless the issuer identifies and verifies the identity of the user requesting the refund.

"limited purpose virtual currency" means the following digital representations of value:

(a) non-monetary customer loyalty points or non-monetary customer reward points;

(b) in-game assets; or

(c) any digital representation of value similar to sub-paragraphs (a) or (b) above,

where each of sub-paragraphs (a) to (c) above—

(i) must not be returnable, transferrable or capable of being sold to any person in exchange for money;

(ii) is a medium of exchange that is, or is intended to be, as the case may be—

(A) used only for payment of or part payment of, or exchange for, goods or services, or both, provided by the issuer of the digital representation of value, or provided by such merchants as may be specified by the issuer; or

(B) used only for the payment of or exchange for virtual objects or virtual services, or any similar thing within, or as part of, or in relation to an online game.

"limited network of goods or service providers" means the following networks:

(a) all parties to a franchise which an issuer is a party to; or

(b) the issuer and all its related corporations as defined in section 4 of the Companies Act (Cap. 50).

"non-monetary customer loyalty points" or "non-monetary customer reward points" means any digital representation of value, by whatever name called, that—

(a) is not denominated in any currency;

(b) is issued by an issuer as part of a scheme, the dominant purpose of which is to promote the purchase of goods from, or the use of services of, the issuer, or by such merchants as may be specified by the issuer;

(c) is issued to a person as a result of the person purchasing goods from, or using the services of, the issuer, or such merchants as may be specified by the issuer;

(d) is used for payment or part payment of, or exchange for, goods or services, or both goods and services; and

(e) is not part of a financial product.

THIRD SCHEDULE

Section 5(2) and 109

SPECIFIED PROVISIONS

1. Section 14(3)
2. Section 102