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Payment Services Act: What you need to know

The Payment Services Act ("PSA") is an extensive legislation administered by the Monetary Authority of Singapore ("MAS"). The PSA will come into operation on 28 January 2020 and provides for a new framework for the regulation of payment systems. It aims to consolidate the previous Payment Systems (Oversight) Act 2006 and the Money-Changing and Remittance Businesses Act 1979 into one act to create a forward looking and flexible framework for licensing and regulating payment service providers and oversight of payment systems.

Fintech businesses may be affected by their legal obligations and changes to regulatory requirements under the PSA and should ensure that their practices are compliant with the Act.

What are the payment services that the PSA regulates?

The PSA provides the definition of "payment services". It focuses on seven (7) categories of payment activities provided by service providers, which MAS is seeking to regulate. The categories are as follows:

Classification	Description
Account issuance services	Services involving issuing a payment account or any service relating to any operation of a payment account.
Domestic money transfer services	Providing funds transfer services within Singapore.
Cross-border money transfer services	Providing inbound or outbound money transfer and remittance services in Singapore.
Merchant acquisition services	Providing merchant acquisition services in Singapore, where service providers process transactions from a merchant and process payment receipts on the behalf of the merchant.
E-money issuance services	Issuing e-money to allow users to pay merchants or transfer to another individual.
Digital payment token services	Services that provide for the exchange (buying or selling) of digital payment tokens (e.g. cryptocurrencies) or services that provide a platform which facilitates such an exchange.
Money-changing services	Providing the sale and purchase of foreign currency notes in Singapore.

What payment services are not regulated by the PSA?

Not all services are regulated by the PSA. Some payment services are deliberately excluded from the PSA's scope of regulatory requirements. Some examples of these excluded payment services include:

- Loyalty programs commonly offered by individual retail merchants to promote the purchase of goods and services from the merchants or at retailers specified by the merchants.
- Limited purpose virtual currency such as in-game credits and assets.

These excluded services generally have limited use or are non-monetary in nature, which minimises its risk posed to the public. In deciding if a programme comes under the ambit of the PSA, MAS will likely consider various factors, including whether if the programme was marketed to the public as a payment service – which will support a finding that it should be regulated under the PSA.

Introduction to the PSA licences

If your business involves any one or more of the payment services that the PSA seeks to regulate, your will have to apply for one of the following three licences:

I. **Money-changing licence:** Only allows a business holding a money-changing licence to conduct money-changing services.

II. **Standard payment institution licence:** A business that conducts one or more of the specified payment services, but below specified thresholds have to apply for a standard payment institution licence.

> 'Specified thresholds' refer to the accepting, processing, or executing a monthly average of:
> - payment transactions of up to SGD3 million for any one payment service; or
> - up to SGD6 million if the business conducts two or more payment services, in one calendar year.

Take note that these thresholds do not apply to e-money account issuance services. They are required to apply for a standard payment institution licence if they issue a daily average e-money float of up to SGD5 million of over a calendar year.

III. **Major payment institution licence:** This licence imposes a more comprehensive regulatory regime. A business will need to apply for a major payment institution licence if:

- the business provides one or more of the seven payment services mentioned above, except an e-money account issuance service or a money-changing service; and
- the average total value of all payment transactions by the business in one month exceed the specified thresholds listed above.

Businesses providing an e-money account issuance service are required to apply for a major payment institution licence if they issue a daily average e-money float of more than SGD5 million over a calendar year.

Conditions for application of the Payment Services Licence

An applicant to any of the licences under the PSA should fulfil the following requisites among other assessable criteria:

- For standard payment institution or major payment institution licences, the applicant must:
    - be a company (incorporated in Singapore or overseas);

- have at least one executive director who is a Singapore citizen or Permanent Resident, or of a class of persons prescribed by MAS; and
- have registered office in Singapore or a permanent place of business in Singapore; and
- satisfy prescribed operational and financial requirements specified by the MAS by notice in writing for the duration of the licence.

- For money-changing licences, an applicant of a money-changing licence must have a registered office or a permanent place of business in Singapore.

Additionally, MAS must be satisfied that the applicant is a fit and proper person under its Guidelines on Fit and Proper Criteria document, as to the financial condition of the applicant, and that the public interest will be served by granting the licence.

Financial requirements for standard and major payment institution licences

In applying for the payment institution licences, the applicant must satisfy the financial requirements as provided by the Payment Services Regulations 2019 (the "Regulations"). The Regulations provides that applicants applying for a payment institution licence requires a base capital of not less than SGD100,000 for a standard payment institution licence and SGD250,000 for a major payment institution licence.

Base capital refers to the sum of:

- all of the paid up ordinary share capital and paid-up irredeemable and non-cumulative preference share capital in the latest accounts of the company; and
- any unappropriated profit or loss in the latest audited accounts of the company,

Less:

- any interim loss in the latest accounts of the company; and
- any dividend that has been declared since the latest audited accounts of the company.

Currently, there is no requirement of a minimum base capital for a money-changing licence.

For a major payment institution licence, there is an additional requirement to maintain a security deposit of SGD100,000 (if the average, over a calendar year, of the total value of all payment transactions that are accepted, processed or executed by the licensee in one month, does not exceed SGD6 million (or its equivalent in a foreign currency), for any one payment service it provides) or SGD200,000 (in other cases).

The security deposit must be in the form of a cash deposit, bank guarantee or any other form as provided by MAS. In the event that the licence of a major payment institution lapses or is revoked, the security deposit may be used to pay any sums outstanding and amounts claimed by payment service users. The PSA also prescribes financial penalties for non-compliance of regulatory requirements.

For those who are intending to apply for a payment institution licence, ZICO Insights law can provide services to assist you through the application process and regulatory hurdles of the PSA.

If you have any questions or require any additional information, please contact **Ryan Lin** or the ZICO Insights Law LLC partner you usually deal with.