

Upcoming changes to the Payment Services Act

The Payment Services (Amendment) Bill was recently introduced into Parliament in November 2020 to broaden the scope of the Payment Services Act 2019 (“**PS Act**”). The latest changes are summarised below.

Expansion of licensable DPT services

Most of the new amendments seek to align the PS Act with enhancements to international standards for anti-money laundering and countering the financing of terrorism (“**AML/CFT**”) set by the Financial Action Task Force (“**FATF**”) in June 2019 and are aimed at addressing the money laundering and terrorist financing (“**ML/TF**”) risks posed by virtual asset service providers (“**VASPs**”). Consequently, the scope of licensable digital payment token (“**DPT**”) services will be expanded to include the following:

- a) transmission of DPTs between accounts;
- b) provision of custodian wallet services for DPTs, including the safeguarding or administration of DPTs and their associated instruments including passwords and keys; and
- c) facilitating the exchange of DPT transactions (without possession of money or DPTs by the DPT service provider).

Any DPT service provider that provides any of the above services in Singapore will need to be licensed under the PS Act and be subject to Monetary Authority of Singapore’s (“**MAS**”) AML/CFT regulations.

Expansion of licensable money transfer services

To mitigate money laundering and terrorism financing risks where entities broker remittance transactions between entities in two different countries and the reputational risks to Singapore, licensable *cross-border money transfer services* will be expanded to include arranging for cross-border money transfers, even if moneys are not transmitted from or received in Singapore. Separately, *domestic money transfer services* will also be expanded to include executing or arranging for transactions where either the payer or the payee is a financial institution. A service provider which carries on a business in Singapore of providing any of the above money transfer services will need to be licensed under the PS Act and be subject to MAS’ AML/CFT regulations.

New MAS powers to regulate DPT service providers

To ensure that the MAS is equipped to mitigate new risks which arises in tandem with the fast-paced evolution of the DPT sector, MAS will have new powers in respect of DPT services to prescribe user protection regulations, including asset administration and safeguarding, and disclosure obligations.

Miscellaneous amendments

Other amendments being introduced include (i) the power of MAS to prescribe additional PS Act licensees that must safeguard customer money, (ii) an expansion of the general duty to use reasonable care not to provide false information to the MAS to cover all persons, whether or not the person is an individual.



Grace period

MAS intends to grant a six month exemption to (i) entities that are newly regulated under the PS Act, and (ii) entities currently licensed under the PS Act and which are required to vary their licence as a result of the new amendments to the scope of payment services. MAS will separately consult on this exemption in early 2021.

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