

## Singapore: MAS amends the Guidelines on Licensing for Payment Service Providers

### In brief

On 26 July 2024, the Monetary Authority of Singapore (MAS) updated the Guidelines on Licensing for Payment Service Providers (PS-G01) ("**Guidelines**"), which became effective on 26 August 2024. These changes are applicable to current and future Standard Payment Institutions (SPIs) and Major Payment Institutions (MPIs) under the Payment Services Act (PSA).

The updates can be divided into those that relate to: (i) the application process for a new MPI or SPI licence, or a variation of an existing licence, under the PSA; and (ii) those that relate to ongoing business conduct.

We summarise as follows:

#### Changes to licence application process

- a. New requirement to submit a legal opinion (LO) as an additional document to include in a new licence application
- b. New requirement to submit an independent assessment (IA) by a qualifying external auditor for all new licence and licence variation applicants
- c. Implementing a case-on-hold process for cases under review that encounter issues requiring more time for the applicants to resolve
- d. New guidance on the licensing process, including the introduction of an opening meeting at the start of the licensing review process and the circumstances under which an application may be put on hold

#### Clarifications on ongoing business conduct

- e. New guidance that the base capital of a licensee or an applicant should be able to cover at least 6 to 12 months of the entity's operating expenses
- f. New guidance that digital payment token (DPT) service providers should have in place an in-house compliance officer
- g. Notification stating that with effect from 6 November 2024, licensees providing DPT services are required to comply with the MAS FSM-N13 Notice on Technology Risk Management

The above changes are implemented to improve the clarity and quality of all applications, and provide welcome clarity on MAS's expectations in relation to both applicants and licensees under the PSA.

#### Key amendments

We summarise the key amendments below:

### In this issue

MAS Guidelines on Licensing for Payment Service Providers  
Key amendments

#### CHANGES TO LICENCE APPLICATION PROCESS

##### REQUIREMENT TO SUBMIT AN LO

This requirement applies to the following:

- **New applicants** applying for an **SPI or MPI licence**
- **Existing licensees applying to vary** their licence to add a **DPT service**
- Any other applicant that the MAS deems appropriate (e.g., complex business model)

	<p>In all cases, the following should apply to the LO:</p> <ul style="list-style-type: none"> <li>• It should be issued by a law firm experienced in advising on the PSA in Singapore</li> <li>• It should include (but not be limited to) the following: <ul style="list-style-type: none"> <li>• A clear and concise summary of the applicant's business model</li> <li>• An assessment of whether each proposed service(s) and/or product(s) is a regulated payment service under the PSA</li> <li>• If such proposed service(s) and/or product(s) is regulated, whether any exemptions or exclusions from licensing are assessed to apply.</li> </ul> </li> </ul> <p>The MAS has reserved the right to request for a second LO if the initial LO is unclear.</p>
<p>REQUIREMENT TO SUBMIT AN EXTERNAL AUDITOR'S IA</p>	<p>This requirement applies to new applicants and variation licence applicants intending to provide <b>DPT services</b>, except for notified entities that have already notified MAS pursuant to the Payment Services (Amendment) Act 2021 (Saving and Transitional Provisions) Regulations 2024. For completeness, these notified entities are subject to a separate requirement to submit an external audit attestation.</p> <p><b>Appointment of an independent external auditor</b></p> <p>New applicants are expected to appoint a qualified independent external auditor to perform an IA of its policies, procedures and controls in the areas of anti-money laundering/countering the financing of terrorism ("<b>AML/CFT</b>"), and consumer protection.</p> <ul style="list-style-type: none"> <li>• The onus is on the applicant to ensure that it appoints an appropriate and suitably qualified external auditor to conduct the independent assessment.</li> <li>• More than one external auditor may be appointed to perform the independent assessment of each area as appropriate.</li> <li>• The external auditor should meet the relevant criteria, and have the relevant experience and expertise to perform the independent assessment. The main criteria<sup>1</sup> include the following: <ul style="list-style-type: none"> <li>• Qualifications, credentials and track record of the external auditor, including whether the lead engagement partner has made any report in respect of a statutory audit pursuant to MAS regulations, or an independent review commissioned by MAS in the area of AML/CFT, on an MAS-regulated financial institution</li> <li>• The external auditor should be independent from, and have no conflicts of interests arising from or ongoing business relationships with the applicant, its group or group companies.</li> </ul> </li> </ul> <p><b>Scope of IA by external auditor</b></p> <ul style="list-style-type: none"> <li>• The IA will focus on reviewing the applicant's internal policies, procedures and controls (IPPCs) primarily on the following: <ul style="list-style-type: none"> <li>• <b>AML/CFT</b>: This will consider the applicant's IPPCs on governance, management oversight and risk assessment; customer due diligence; suspicious transactions reporting; wire transfer / value transfer; new products and technologies; correspondent accounts; and agency requirements.</li> <li>• <b>Consumer protection</b>: This will consider the applicant's IPPCs on safeguarding of customers' moneys; and on safeguarding of, segregation of and risk management controls for customers' assets. In conducting the review, the external auditor will already take into account preparedness to comply with the upcoming expectations set out in the Payment Services (Amendment) Regulations 2024 and the accompanying Guidelines on Consumer Protection Measures by DPT Services Providers, which come into effect on 4 October 2024.</li> </ul> </li> </ul>

<sup>1</sup> Appendix 6 of the Guidelines sets out the criteria for appointed external auditors and the scope of assessment to be conducted.

	<ul style="list-style-type: none"> <li>In addition, for an applicant that is granted an in-principle approval (IPA), it will also be required to appoint a qualified independent external auditor to perform an IA of its IPPCs in the areas of technology and cybersecurity risks, and in particular in relation to cyber-hygiene, data loss prevention, penetration testing, and digital wallets and smart contracts.</li> </ul> <p>The MAS may require the applicant to appoint another external auditor to re-perform the assessment if there are concerns regarding the quality and/or comprehensiveness of the external auditors' independent assessment.</p>
<p>CLARIFICATIONS ON REVIEW PROCESS</p>	<p><b>Review process</b></p> <ul style="list-style-type: none"> <li>Following submission of the application documents, there are the following key steps (non-exhaustive) in an application: <ul style="list-style-type: none"> <li>An <b>MAS case officer</b> will be assigned to the application</li> <li>If appropriate, the MAS case officer may arrange an <b>opening meeting</b></li> <li>There may be <b>multiple rounds of requests for information and clarifications, which should be attended to on a timely basis</b></li> <li>Thereafter, there will be an interview with the <b>key management and/or compliance officer</b> of the applicant</li> </ul> </li> </ul> <p><b>Compliance standards</b></p> <ul style="list-style-type: none"> <li>While the case officer is reviewing the application, an applicant is expected to conduct itself as if it were already a regulated financial institution, and should therefore be prepared to be subject to ongoing supervision and oversight as per the regulatory regime. Applicants who fail to do so will be assessed as having potentially significant deficiencies, which could result in a rejection of the application.</li> </ul> <p><b>Placing applications on hold</b></p> <ul style="list-style-type: none"> <li>The MAS should be notified immediately of any changes to the information provided in the application after submission.</li> <li>The MAS reserves the right to place any application that is assessed to be insufficiently ready for review on-hold for six months at any point during the review process. This could be due to an applicant's major corporate restructuring, substantial changes to key management personnel, or material variations in the business model/activities.</li> <li>During the on-hold period, the onus is on the applicant to ensure timely resolution/completion of all necessary changes and to provide MAS with the relevant documentation to be assessed at the end of the on-hold period.</li> </ul> <p>The default on-hold period of six months is not extendable. If the significant change(s) is not completed within the on-hold period, the applicant should consider withdrawing the application.</p>
<p><b>CLARIFICATIONS ON ONGOING BUSINESS CONDUCT</b></p>	
<p>BASE CAPITAL</p>	<p>While there are no changes to the base capital requirement, the MAS has included that as a general rule of thumb, the base capital of the entity should be able to cover at least 6 to 12 months of the applicant's operating expenses.</p> <p>An applicant and licensee should put in place an effective monitoring process to ensure that it is able to meet the base capital requirement at all times.</p>
<p>MINIMUM COMPLIANCE ARRANGEMENTS</p>	<p><b>Requirement for an in-house local compliance</b></p> <ul style="list-style-type: none"> <li>Given the higher risk posed and complexity of the business, the MAS expects entities conducting DPT services to have an in-house local compliance officer, notwithstanding compliance support from the holding company or an overseas related entity.</li> </ul>

	<p><b>Requirement for a proper governance structure to oversee compliance and AML/CFT issues</b></p> <ul style="list-style-type: none"> <li>Depending on the scale of business and its group structure, the applicant can require the compliance officer to regularly report compliance and AML/CFT issues to the board, as well as decisions on matters that are beyond their authority.<sup>2</sup></li> <li>Accordingly, the applicant's senior management and compliance officer should be able to demonstrate sufficient understanding of the compliance and ML/FT risks that the applicant faces in relation to its business activities, and the measures that have been put in place to effectively manage the risks.</li> </ul>
<p><b>(NEW)</b> CONSUMER PROTECTION EXPECTATIONS</p>	<p>Applicants intending to provide the DPT service should provide information relating to its policies and procedures that set out how the applicant will comply with consumer protection requirements prescribed by the Payment Services (Amendment) Regulations 2024 and the accompanying Guidelines on Consumer Protection Measures by DPT Services Providers.</p>
<p><b>(NEW)</b> TECHNOLOGY RISK MANAGEMENT</p>	<p>Licensees providing DPT services must comply with the Notice on Technology Risk Management [FSM-N13], with effect from 6 November 2024.</p>

<sup>2</sup> In line with Outcome 3 of the Guidelines on Individual Accountability and Conduct.

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