

Phase 2 of amendments to Singapore payments legislation comes into force expanding licensable activities

In brief

This update focuses particularly on the expansion of the scope to domestic money transfer (DMT) service, cross-border money transfer (CBMT) service and digital payment token (DPT) service, and examines who are the persons affected by such expansion, as well as what needs to be done by such affected persons in order to benefit from transitional arrangements and continue operations.

In summary, there are two groups of persons affected by the expanded scope, and different actions apply to each group as follows:

<p>Persons who had started providing the expanded scope of services before 4 April 2024.</p> <p>These persons will be able to benefit from temporary transitional arrangements under Phase 2, which will allow them to continue providing such services. In order to so benefit, these persons would need to take the certain actions (including submission of a notification to MAS before 4 May 2024) as discussed in the update.</p>	<p>Persons who only started providing the expanded scope of services from 4 April 2024.</p> <p>These persons must immediately cease providing such services, unless they can rely on an applicable exemption or exclusion to do so.</p>
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Contact Information

Stephanie Magnus

Principal
Singapore

Eunice Tan

Principal
Singapore

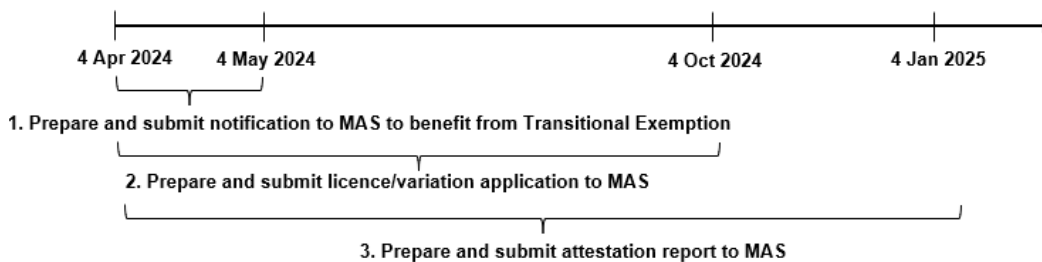
Ying Yi Liew

Local Principal
Singapore

Darren Yang

Senior Associate
Singapore

Phase 2 implemented



How are the scopes of DMT, CBMT and DPT services expanded?

The newly expanded scope of payment services under the Payment Services Act 2019 (PS Act) (the "New Scopes") are summarised below as follows:

Affected payment service	Description of New Scope(s) brought in under Phase 2
DMT service	<p>The service of accepting money for the purpose of executing or arranging for the execution of, any of the payment transactions, each of which is between a payer in Singapore and a payee in Singapore, in any case where either the payer or the payee is a financial institution:</p> <ul style="list-style-type: none"> a payment transaction executed from, by way of or through a payment account;

Affected payment service	Description of New Scope(s) brought in under Phase 2
	<ul style="list-style-type: none"> • a direct debit (including a one-off direct debit) through a payment account; • a credit transfer (including a standing order) through a payment account; • accepting any money from any person for transfer to the payment account of a different person.
CBMT service	Any service of arranging for the transmission of money from any country or territory to another country or territory, whether as principal or agent.
DPT service	Any service of: <ul style="list-style-type: none"> • accepting (whether as principal or agent) DPTs from one DPT account¹ (whether in Singapore or elsewhere), for the purposes of transmitting, or arranging for the transmission of, the DPTs to another DPT account (whether in Singapore or elsewhere); • arranging (whether as principal or agent) for the transmission of DPTs from one DPT account (whether in Singapore or elsewhere) to another DPT account (whether in Singapore or elsewhere); • inducing or attempting to induce any person to enter into or to offer to enter into any agreement for or with a view to buying or selling any DPT in exchange for any money or any other DPT (whether of the same or a different type); • safeguarding a DPT or DPT instrument², where the service provider has control over the DPT or one or more DPTs associated with the DPT instrument; or • carrying out for a customer an instruction relating to a DPT or one or more DPTs associated with a DPT instrument, where the service provider has control over the DPT or the DPT instrument.

Who is affected?

A person is affected by the New Scopes ("**Affected Person**") if the following applies to them:

- (a) the person currently provides a service under any of the New Scopes; **and**
- (b) the person is not currently licensed or exempted under the PS Act, nor operating under the Payment Services (Exemption for Specified Period) Regulations 2019 as an exempt entity³ ("**Existing Notified Entity**"), in respect of the payment service that relates to the New Scope.

For example, the following would not be Affected Persons:

- (a) an existing PS Act licensee in respect of DPT services, who currently provides any of the New Scopes in respect of DPT service;
- (b) an Existing Notified Entity in respect of DPT services, who currently provides any of the New Scopes in respect of DPT service.

However, note for example that the following **would be** Affected Persons:

- (a) an existing PS Act licensee in respect of DMT and CBMT services, who currently provides any of the New Scopes in respect of DPT service;
- (b) an Existing Notified Entity in respect of DPT services, who currently provides the New Scope in respect of CBMT service.

¹ DPT account means any account, or any device or facility (whether in physical or electronic form), that contains DPTs.

² DPT instrument means any password, code, cipher, cryptogram, private cryptographic key or other instrument that enables a person (a) to control access to one or more DPTs; or (b) to execute a transaction involving one or more DPTs.

³ See list of existing notified exempt entities here: <https://www.mas.gov.sg/regulation/payments/entities-that-have-notified-mas-pursuant-to-the-ps-esp-r>

What do Affected Persons need to do?

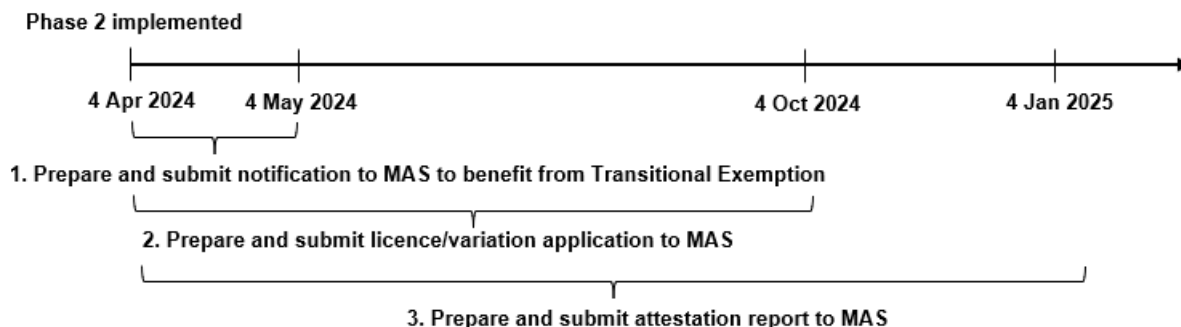
There are two groups of Affected Persons, and different actions apply to each group as follows:

Affected Persons who had started providing services that relate to the New Scope(s) **before 4 April 2024**.

These Affected Persons will be able to benefit from temporary transitional arrangements under Phase 2, which will allow them to continue providing services that relate to the New Scope(s) under an exemption ("**Transitional Exemption**"). In order to so benefit, these Affected Persons would need to take the following actions in accordance with the below timeline.

Affected Persons who only started providing services that relate to the New Scope(s) **from 4 April 2024**.

These Affected Persons must **immediately cease** providing services that relate to the New Scope(s), unless they can rely on an applicable exemption or exclusion under the PS Act in order to do so.



In addition, Affected Persons who are Existing Notified Entities seeking to add any of the New Scope(s) while their respective applications are being reviewed by MAS should inform their respective review officers via email, if they have not already done so.

More details on the timelines and actions are contained in the below table:

Timing	Action	Additional information
One month from 4 April 2024, i.e., before 4 May 2024	<p>Notify the Monetary Authority of Singapore (MAS) of provision of services that relate to the New Scope(s), to benefit from the Transitional Exemption.</p> <p>If the Affected Person does not submit this notification before 4 May 2024, they must immediately cease providing services that relate to the New Scope(s), unless they can rely on an applicable exemption or exclusion under the PS Act in order to do so.</p>	<p>The notification is to be made via FormSG, and a sample of the form can be found here.</p> <p>The following information (among others) will need to be provided to MAS in the form:</p> <ul style="list-style-type: none"> • estimated month in 2024 by which application (second item below) will be submitted; • the New Scope(s) provided, description and commencement date (which must be before 4 April 2024); • information on transaction volumes and customers served in respect of the New Scope(s); • information on controllers; • information on external auditor for the attestation (third item below)
Six months from 4 April 2024, i.e., before 4 October 2024	<p>Submit to MAS a licence or variation application.</p> <p>If the Affected Person does not submit the application within the timeline, the Affected Person will not be able to continue relying on the Transitional Exemption.</p>	<p>For Affected Persons who are not existing PS Act licensees, Form 1 should be submitted.</p> <p>For Affected Persons who are existing PS Act licensees, Form 2 should be submitted.</p> <p>For more information on the relevant licensing criteria, please see here.</p>
Nine months from 4 April 2024, i.e., before 4 January 2025	<p>Submit to MAS an attestation report that is duly completed by a qualifying external auditor.</p> <p>If the Affected Person does not submit the attestation report within the timeline, the Affected Person will not be able to continue relying on the Transitional Exemption.</p>	<p>The notification is to be made via FormSG, and a sample of the form can be found here.</p> <p>Affected Persons should engage external auditors early to ensure there is sufficient time for the assessment to be completed, and ensure that the following minimum qualifications are met:</p> <ul style="list-style-type: none"> • The external auditor is a company, firm or limited liability partnership approved or deemed to be approved as an accounting corporation, accounting firm or accounting limited liability partnership, respectively, under the Accountants Act 2004;

Timing	Action	Additional information
		<ul style="list-style-type: none"> This external auditor has made at least one report in respect of a reasonable assurance audit⁴ conducted on a financial institution regulated or authorised by MAS; The specific partner of the external auditor is an individual who is registered or deemed to be registered under the Accountants Act 2004 as a public accountant; and This specific partner of the external auditor has conducted at least one reasonable assurance audit on a financial institution regulated or authorised by MAS. <p>Please note that the attestation report would provide pertinent information to MAS' review of the licence application, but will not, in and of itself, lead to the application timeline being shortened, as every case needs to be assessed on its own merits.</p>

What happens after the above actions are done?

The Affected Person simply has to wait until one of the following occurs:

- (a) the licence or variation application in respect of the New Scope(s) is approved by MAS (in which case the Affected Person can continue operations under the licence);
- (b) the licence or variation application in respect of the New Scope(s) is rejected by MAS or withdrawn by the Affected Person (in which case the Affected Person must immediately cease operations in respect of the New Scope(s), unless they can rely on an application exemption or exclusion under the PS Act).

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⁴ "reasonable assurance audit" means an audit of a regulated financial institution which: (a) is conducted in accordance with the Singapore Standards on Assurance Engagements 3000 (Revised) or Singapore Standards on Auditing issued by the Institute of Singapore Chartered Accountants; and (b) includes an audit of the regulated financial institution's compliance with AML/CFT requirements.