

"Payment Services (Amendment) Bill" - Second Reading Speech by Mr Ong Ye Kung, Minister for Transport, on behalf of Mr Tharman Shanmugaratnam, Senior Minister and Minister-in-charge of the Monetary Authority of Singapore, on 4 January 2021

1. Mr Speaker, I beg to move that the Bill be now read a second time.

Introduction

2. The Payment Services Act, or PS Act, came into force in January last year. Since then, payment services have continued to evolve rapidly, with innovative activities and new business models emerging. One significant development is in the area of digital payment tokens (DPT). These are crypto-currencies – such as Bitcoins – which are not denominated in any currency but can be used as a form of payment.
3. The speed and cross-border nature of such DPT activities carry higher inherent money laundering and terrorism financing (ML/TF) risks. They need to be regulated, and service providers need to carry out proper customer due diligence and monitoring of transactions.
4. Global standards setting bodies, regulators and policy makers around the world are focused on addressing these risks. As a major financial centre and FinTech hub, Singapore has played an active role in shaping international standards, including at the Financial Action Task Force (FATF) which sets standards for combating ML/TF.
5. The Monetary Authority of Singapore (MAS) is therefore enhancing its regulatory framework and updating the PS Act to keep pace with changes to international standards and to better mitigate the ML/TF risks related to DPTs.
6. MAS has conducted a public consultation on the Bill and noted the broad support from respondents. MAS has considered the feedback received, and where appropriate, has taken them into account in finalising this Bill. The Bill makes amendments to the PS Act in three broad areas.

First, Mitigating ML/TF Risks

7. Under the PS Act, MAS currently regulates service providers dealing in DPTs and facilitating the exchange of DPTs where the service provider comes into possession of moneys or DPTs. These are common business models of DPT service providers that operate in Singapore.
8. The scope of the PS Act will be expanded under this Bill, to confer on MAS powers to regulate service providers of DPTs that facilitate the use of DPTs for payments, and may not possess the moneys or DPTs involved. The FATF standards term these service providers as Virtual Assets Service Providers.
9. In regulating these Virtual Assets Service Providers, the Bill will expand the scope of DPT services in the PS Act to include the following three activities: One, facilitating the transmission of DPTs from one account to another; second, custodial services for DPTs; and third, facilitating the exchange of DPTs where the service provider does not come into possession of the moneys or DPTs involved.
10. The Bill will require an entity that provides any of these services as a business in Singapore to be licensed and subject to rules and regulations set by MAS in subsidiary legislation. This will help minimise the risk of DPT service providers being exploited by criminals to launder illicit proceeds or hide illicit assets.
11. The Bill will also pre-emptively address ML/TF risk that is outside of the DPT space. The Bill will broaden the definition of cross-border money transfer service to include facilitating transfers of money between persons in different jurisdictions, where money is not accepted or received by the service provider in Singapore. That way, such service providers will come under the regulatory ambit of MAS even if the moneys do not flow through Singapore.

Impose measures on DPT service providers

12. The second set of amendments provides MAS with powers to impose measures on DPT service providers to ensure better consumer protection and to maintain financial stability and safeguard the efficacy of monetary policy.
13. The risks to consumer are not significant currently, because of the relatively low usage of DPTs in Singapore today. However, user adoption of DPTs could gain traction quickly as the industry comes out with products to attract customers. We have seen recent development of new forms of DPTs which values are pegged to stable assets to gain users' confidence. It is therefore important for MAS to be able to respond to market developments and address new risks in a timely manner.

14. The Bill will enable MAS to impose user protection measures on DPT service providers when necessary. This could include, for example, requiring a DPT service provider to segregate customer assets from its own assets. This will augment current powers that allow MAS to require DPT service providers to safeguard customer money from loss in the event of insolvency.

15. MAS will also be empowered to impose additional measures on certain DPT service providers to maintain stability in Singapore's financial system, safeguard the efficacy of the monetary policy, or where it is in the interest of the public to do so. The scope of this new power is necessarily broad, so that MAS can respond flexibly and swiftly in the fast-moving DPT landscape. MAS will consult the public and the industry when drafting subsidiary legislation on the specific measures .

Other amendments to the PS Act

16. Finally, the Bill will make three other miscellaneous amendments to the Act:

17. One, the PS Act currently accords protection to consumers, whether they are payers or payees, during a domestic money transfer. As financial institutions are sophisticated entities that can protect themselves, the Act carves out the situation where a financial institution is part of the transaction.

18. However, that means that an individual involved in a domestic money transfer transaction with a financial institution is not accorded protection under the Act. The Bill will therefore broaden the scope of protection of the PS Act, to carve out only situations where both payer and payee are financial institutions.

19. Two, only major payment institutions providing services like e-money issuance are currently required to safeguard customer money. With the fast-evolving landscape, user protection concerns associated with other types of licensees can also arise. The Bill will thus allow MAS to prescribe, where necessary, additional classes of licensees conducting specific payment services to be subject to the requirement to safeguard customer money.

20. Three, the PS Act today requires an individual to use reasonable care to ensure that any information he or she provides to MAS under the PS Act is not false or misleading in any material particular. The Bill will clarify that this general duty of care applies to all persons, whether or not the person is an individual.

Conclusion

21. This Bill will enhance the regulatory framework for payment services in line with global regulatory standards and will allow MAS to be nimble and responsive in addressing various risks in the payments landscape.

22. Mr Speaker Sir, I beg to move.

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