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## IMDA and MAS Consult on Proposed New Guidelines, Fee Structure etc. to Enhance Participation in SGQR

### Introduction

From 27 September 2022 to 28 October 2022, the InfoComm Media Development Authority ("**IMDA**") and the Monetary Authority of Singapore ("**MAS**") are conducting a consultation exercise to obtain feedback on their proposals to strengthen participation in the Singapore Quick Response Code Scheme ("**SGQR**"). Introduced in September 2018, SGQR is the world's first standard for a unified payment quick response ("**QR**") code that allows multiple payment schemes to be combined into a single SGQR label. The main aims of SGQR are to: address the problem of having payment QR code fragmentation; standardise payment QR code specifications; and facilitate the interoperability of payment QR codes. Among other advantages, SGQR has made accepting electronic payments more efficient and convenient. Following the wide adoption of SGQR in recent years and as the scheme matures, MAS and IMDA are looking to increase participation in SGQR, enhance existing standards and governance of SGQR, as well as for SGQR to be a national electronics payments infrastructure that is financially self-sustaining. At the same time, Singapore wants to prepare SGQR to be interoperable to enable local and cross-border QR code payment connectivity.

Against this background, MAS and IMDA propose:

- To introduce a set of guidelines laying out MAS' expectations on all Relevant Merchant Acquirers who participate in SGQR ("**Proposed Guidelines**"). A "**Relevant Merchant Acquirer**", under the Proposed Guidelines, refers to any major payment institution or any exempt payment service provider under the Payment Services Act 2019 ("**PS Act**") that provides merchant acquisition service to any merchant through a static QR code at that merchant's physical place of business ("**Relevant Merchant Acquisition Service**");
- To introduce a fee structure model for SGQR Members; and
- For the Banking Computer Services Private Limited ("**BCS**") to conduct regular batched onboarding exercises for prospective merchant acquirers.

The consultation is targeted at all Relevant Merchant Acquirers, as well as applicants for a major payment institution licence to provide a merchant acquisition service. This Update outlines the key points of the proposals.

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## Proposed Guidelines and Revision to Rules

MAS and IMDA opine that it is necessary to expand the membership of SGQR to more merchant acquirers, including newcomers to the merchant acquisition market, where relevant. At present, there are 31 SGQR Members. To qualify as a SGQR Member, one has to be: a licensed payment service provider (or exempt payment service provider) under the PS Act to carry on a business of providing a merchant acquisition service; or a public authority. All SGQR Members, who are also MAS-regulated financial institutions, are contractually required to comply with rules relating to SGQR covering governance, membership, operating, branding and presentment protocols ("**Rules**").

The Proposed Guidelines provide general guidance and expectations concerning participation in SGQR. Among other things, a Relevant Merchant Acquirer is required at all times to be an SGQR Member, as well as do all things necessary to maintain the SGQR membership and comply with all relevant rules. A Relevant Merchant Acquirer is also not allowed to pass on any of the cost of maintaining its SGQR membership to any user or merchant. The full text of the Proposed Guidelines is set out at Annex B to the consultation paper (link [here](#)).

It is proposed that the Proposed Guidelines will not apply to standard payment institutions under the PS Act ("**SPIs**"), reason being that SPIs are generally smaller players with limited presence in the merchant acquisition market in Singapore and thus not necessary to be included in the scope of the Proposed Guidelines at this juncture to achieve the intent of making SGQR the baseline standard for static QR code payment acceptance at merchants' physical places of business. The other reason for excluding SPIs is to avoid saddling smaller players with undue compliance costs.

An addition to the Rules which is proposed is to require an SGQR Member to provide the Relevant Merchant Acquisition Service only through an SGQR label and not with proprietary static payment QR code labels. The aim is to reduce QR code payment fragmentation at the merchants' place of business.

### Proposed timelines

The Proposed Guidelines and revised Rules are proposed to take effect on **1 December 2023**, i.e. at least a three-month transition period from the targeted publication of the response to the consultation (which is set in mid-2023).

Regarding the removal of proprietary static QR code labels at the merchants' physical places of business and replacement with SGQR labels, IMDA and MAS propose to provide existing SGQR Members with a transition period of at least six months from the effective date of the Proposed Guidelines and revised Rules to do so.

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### Proposed Fee Structure Model for SGQR Members

Currently, BCS and the Financial Sector Development Fund, administered by MAS, fully subsidise the development and operating costs of the Central Repository. Therefore, existing SGQR Members do not need to pay membership fees for participating in SGQR in the first five years of the scheme (unless they request ad-hoc services from BCS). Noting that funding support for the Central Repository will end in July 2023 and the fact that SGQR has matured as a scheme, in order for SGQR to be financially self-sustaining in the long run, MAS and IMDA propose that BCS introduce a tiered fee structure model for SGQR Members so that BCS can recover its operating costs of the Central Repository.

The proposed fee structure model will include:

- a one-time onboarding fee of S\$1,800;
- an annual account maintenance fee of S\$360; and
- a tiered annual subscription fee that depends on the total number of SGQR labels issued by the SGQR Member at the end of the calendar year. There will be four tiers of annual subscription fees. To encourage SGQR Members to increase their base of merchants that use SGQR labels, the annual subscription fee per SGQR label by the SGQR Member will be lower if more SGQR labels are generated by that SGQR Member.

#### Proposed one-time fee collection

It is proposed that on the effective implementation date of the revised Rules (targeted as 1 December 2023), BCS will collect a one-time fee from SGQR Members who join before 1 December 2023 comprising: (i) annual account maintenance fees pro-rated on a semi-annual basis; (ii) annual subscription fees pro-rated on a semi-annual basis. This will not be applicable for SGQR Members who join from January 2024 onwards.

For the next billing cycle:

- (For SGQR Members who join before 1 December 2023), fees payable comprise: (i) annual account maintenance fees for full one-year period; (ii) annual subscription fees for full one-year period.
- (For SGQR Members who join from January 2024 onwards),<sup>1</sup> fees payable comprise: (i) one-time onboarding fee; (ii) annual account maintenance fees for full one-year period; (iii) annual subscription fees for full one-year period.

SGQR Members who join from 1 December 2023 onwards will pay the fees outlined in the proposed fee structure model in full during the next billing cycle. The proposed fee structure model and details are set out at Annex C to the consultation (link [here](#)).

<sup>1</sup> There is no onboarding of SGQR Member planned for December 2023.

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## **Regular Batched Onboarding for Prospective Merchant Acquirers**

Upon the introduction of the Proposed Guidelines and the commencement of the revised Rules, more Relevant Merchant Acquirers are expected to participate in SGQR. For structured onboarding, it is proposed that BCS conduct regular batched onboarding exercises (at least semi-annually) to onboard the prospective merchant acquirers. Newly licensed Relevant Merchant Acquirers should register as an SGQR Member in the next available onboarding exercise.

IMDA and MAS also seek comments on areas not discussed in the consultation questions, and other suggestions to ensure SGQR's readiness for future cross-border connectivity.

### **Further Information**

For more information, please refer to the consultation paper and annexes that are made available on the MAS website at this [link](#).

Existing SGQR Members as well as prospective merchant acquirers who intend to join SGQR should review the proposals and consider how the proposals may impact their businesses/operations. If you have any queries on the above development or would like to submit any feedback on the consultation paper, please feel free to contact our team members below who will be happy to assist.

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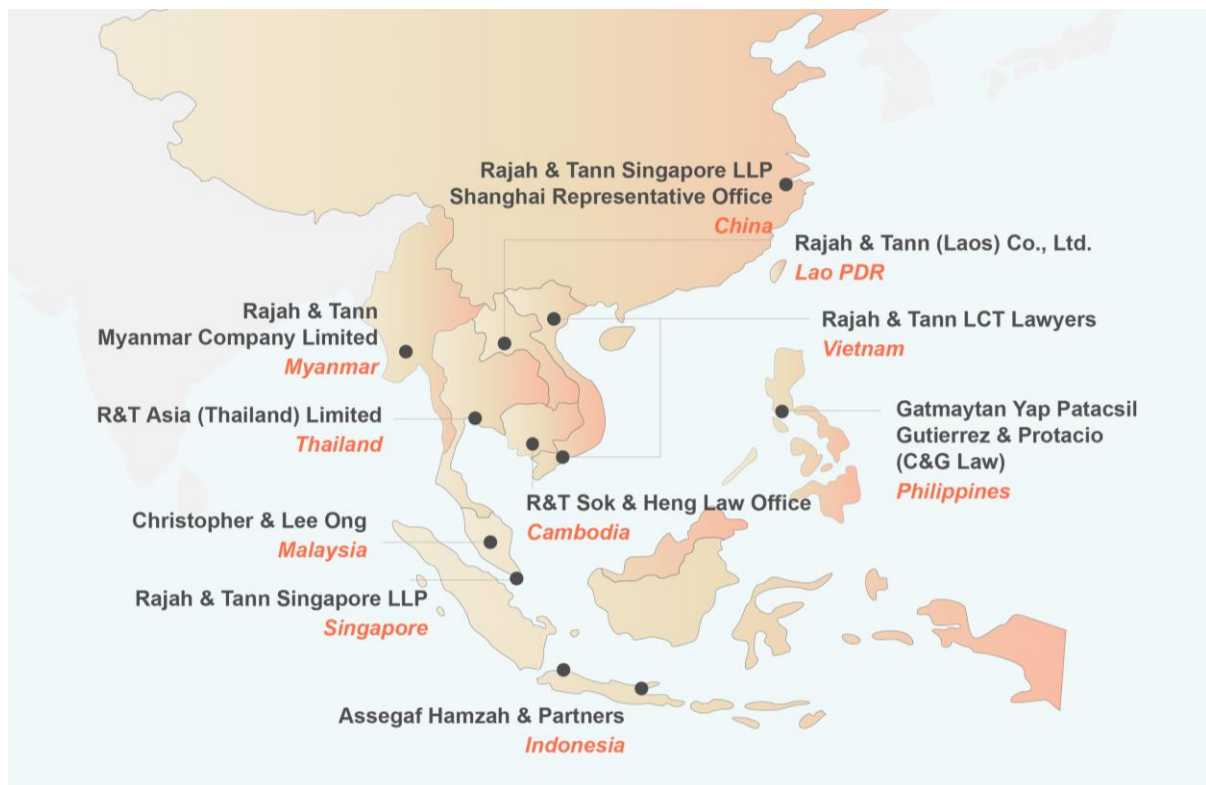
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