

Financial Institutions Group

New Regulated Activities under Payment Services Act and New User Protection Requirements for Digital Payment Token Service Providers from 4 April 2024

Introduction

On 4 April 2024, the Payment Services (Amendment) Act 2021 came into effect, revising the Payment Services Act 2019 ("**PS Act**") in the following main areas:

- (i) Broadening the definition of "digital payment token" ("**DPT**") services to align with enhanced regulation adopted by the Financial Action Task Force (FATF) standards in regulating virtual asset service providers for anti-money laundering and countering the financing of terrorism ("**AML/CFT**");
- (ii) Widening the definition of "cross-border money transfer" services to include arranging for the transmission of money from any country or territory to another country or territory, even where money is neither accepted nor received in Singapore given the money-laundering/terrorist financing (ML/TF) risks that may also arise from such models; and
- (iii) Empowering the Monetary Authority of Singapore ("**MAS**") to impose additional measures to regulate DPT service providers to enhance consumer protection and maintain financial stability.

To operationalise these changes, amendments to the Payment Services Regulations 2019 ("**PS Regs**") and a set of new MAS Guidelines have been published, which will take effect in stages from 4 April 2024.

The amendments expand the scope of payment services regulated by MAS, and introduces new requirements for DPT service providers relating to the safeguarding of customers' assets, as well as measures on consumer access and business conduct. This Update provides a brief summary of these newly regulated activities and the new requirements imposed on DPT service providers.

Newly Regulated Activities under PS Act

With effect from 4 April 2024, newly regulated activities under the PS Act include:

- **The following new DPT services:**



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- (i) Safeguarding of DPTs and DPT instruments, and carrying out instructions relating to such DPTs, where the service provider has control over the DPT or DPT instruments;
 - (ii) Transfer of DPTs (including arranging for the transmission of DPTs between DPT accounts);
 - (iii) Facilitation of the exchange of DPTs, even where the DPT service provider does not come into possession of the moneys or DPTs; and
 - (iv) 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).
- **Cross-border money transfer service** where a service provider that actively facilitates cross-border money transfers between entities in different countries although moneys are not accepted or received in Singapore.
 - **Domestic money transfer service** where a service provider accepts 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 (but not both) is a financial institution.

AML/CFT Requirements

Service providers providing these newly regulated activities will be subject to AML/CFT requirements. These requirements are set out in the following MAS Notices, which have been updated in light of the new amendments:

- For DPT service providers: [Notice PSN02 Prevention of Money Laundering and Countering the Financing of Terrorism – Digital Payment Token Service](#)
- For cross-border money transfer service and domestic money transfer service providers: [Notice PSN01 Prevention of Money Laundering and Countering the Financing of Terrorism – Specified Payment Services](#)

Notification and Licence Application

Entities which are currently conducting the above newly regulated activities will be able to rely on temporary licence exemptions under the Payment Services (Amendment) Act 2021 (Saving and Transitional Provisions) Regulations 2024 and continue the activities on a temporary basis if they fulfil the following requirements:

- On or before 3 May 2024: Notify MAS via [a designated Form](#).

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- On or before 3 October 2024: Submit a licence application for the relevant payment services.
- On or before 3 January 2025: Provide an attestation report of the entity's business activities and compliance with AML/CFT and user protection requirements that is duly completed by an external auditor via [a designated Form](#).

Entities that fulfil all of the requirements above will be able to rely on the temporary licence exemptions until their licence application is accepted, rejected, or withdrawn.

New Requirements and Measures for DPT Service Providers

New User Protection Requirements on Safeguarding of Customers' Assets and Money Received from Customers

On 4 April 2024, section 21A of the PS Act takes effect to empower MAS to prescribe requirements for DPT service providers with regard to the segregation, custody and safeguard of assets and money of customers of DPT service providers.

These requirements are set out in the New Division 2A of Part 2 of the PS Regs which will take effect on **4 October 2024**, and include requirements for DPT service providers (whether holding a standard or major payment institution licence) to:

- safeguard money received from customers in the manner prescribed in Regulation 14, 15 or 16 of the PS Regs;
- segregate customers' assets and place them in a trust account for the benefit of customers;
- maintain proper books and records; and
- ensure that effective systems and controls are in place to protect the integrity and security of customers' assets.

For a background on these new use protection requirements, please see our earlier Legal Update on "[MAS Consults on Proposed New Requirements for Digital Payment Token Service Providers to Enhance Investor Protection and Market Integrity](#)".

New Measures on Consumer Access and Business Conduct (Managing Conflict of Interests)

On 2 April 2024, MAS issued the "[MAS Guidelines PS-G03 on Consumer Protection Measures by Digital Payment Token Service Providers](#)" ("**Guidelines**") which set out implementation details relating

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to, among other things, the user protection requirements set out above, as well as consumer access and business conduct measures that DPT service providers are expected to put in place.

The Guidelines will take effect on **4 October 2024**. The extent and degree to which a DPT service provider implements the Guidelines should be commensurate with the level of risk and complexity of the services offered and the technologies supporting such services.

- **Consumer access measures:** DPT service providers will be required to apply new consumer access measures to a "retail customer", namely, a customer who is not an accredited investor ("AI") or institutional investor ("II"). The definitions of AI and II are prescribed in the Guidelines.

Pursuant to the new consumer access measures, DPT service providers will be required to assess whether a retail customer has sufficient knowledge of the risks of DPTs and the DPT services before providing any DPT service to that customer.

The Guidelines set out certain expectations that are specific to DPT service providers' dealings with retail customers, such as restrictions on the facilitation of lending and staking of assets belonging to a retail customer.

- **Business conduct measures (managing COI):** DPT service providers are expected to establish and implement effective policies and procedures to identify and address conflicts of interest. The Guidelines provide guidance on how DPT service providers may mitigate such conflicts of interest.

For further background information on these new measures, please see our earlier Legal Update on "[Digital Payment Token Service Providers to Comply with Enhanced Regulatory Measures from 2024](#)".

Further Information

If you have any queries on the above developments, please feel free to contact our team members below who will be happy to assist.

Please click on the following links for more information:

Legislation (available at www.sso.agc.gov.sg):

- [Payment Services \(Amendment\) Act 2021](#)
- [Payment Services \(Amendment\) Act 2021 \(Commencement\) Notification 2024](#)
- [Payment Services \(Amendment\) Act 2021 \(Saving and Transitional Provisions\) Regulations 2024](#)
- [Payment Services \(Amendment\) Regulations 2024](#)

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MAS publications (available at www.mas.gov.sg):

- [MAS Press Release titled "MAS Expands Scope of Regulated Payment Services; Introduces User Protection Requirements for Digital Payment Token Service Providers"](#) dated 2 April 2024
- MAS webpage titled "[Expanded scope of the Payment Services Act 2019](#)" published on 4 April 2024
- [MAS Response to Feedback Received pursuant to MAS Consultation on "Proposed Amendments to Payment Services Regulations 2019, Notices issued under the Payment Services Act 2019 or MAS Act, and Proposed New Regulations on Exemptions for a Specified Period"](#) published on 2 April 2024
- [MAS Response to Feedback Received pursuant to MAS Consultation Paper on "Proposed Amendments to the Payment Services Regulations"](#) published on 2 April 2024

Earlier Rajah & Tann publications on this development:

- [Digital Payment Token Service Providers to Comply with Enhanced Regulatory Measures from 2024](#) (December 2023)
- [MAS Consults on Proposed New Requirements for Digital Payment Token Service Providers to Enhance Investor Protection and Market Integrity](#) (July 2023)
- [MAS Proposes Amendments to Subsidiary Legislation to Operationalise Revisions to Payment Services Act](#) (May 2023)

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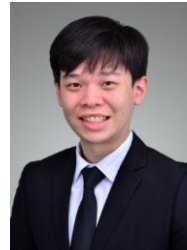
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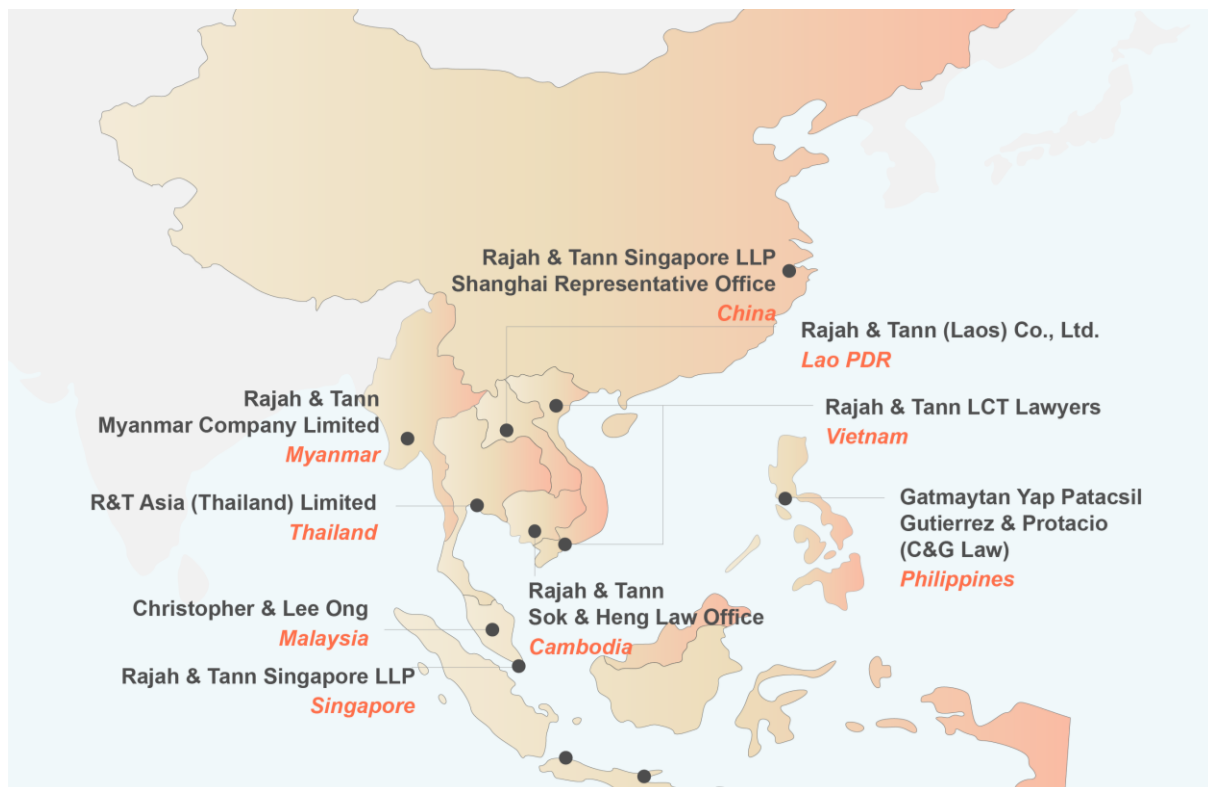
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Client Update: Singapore

2024 APRIL

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