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Developments on the Proposed Payment Services Singapore

In our January 2018 [update](#), we provided an overview of the regulatory framework under the Payment Services Bill (the “[Bill](#)”). The Bill has since been passed in Parliament on 14 January 2019, and will come into operation on such date as notified in the Government gazette.

This legal update will cover: (i) the key changes made to the Bill following the Monetary Authority of Singapore’s (“[MAS](#)”) response to feedback received from the public consultation; and (ii) the proposed Payment Services Regulations (the “[Proposed Regulations](#)”), focusing on e-money issuance and digital payment token services.

Key changes following public consultation on the Bill

To better reflect the payment function within the broader genre of digital tokens and further differentiate it from fiat currency, the MAS has revised the term “virtual currency” to “digital payment token”.

We highlight four refinements to the Bill following the public consultation:

- **E-money.** E-money shall include electronically stored monetary value pegged by the issuer to any fiat currency. E-money that can only be used for payment of goods or services provided by merchants within its physical premises will not be regulated, subject to certain conditions.
- **E-money issuance.** Licensees carrying on e-money issuance will be prohibited from granting any credit facility to an individual in Singapore out of moneys received as payment for e-money.
- **Digital payment token.** In addition to the requirement not to be denominated in any currency, a digital payment token must also not be pegged to any currency.
- **Digital payment token services.** An intermediary facilitating exchange of digital payment tokens will be regulated if it processes fiat currencies or digital payment tokens. It is irrelevant whether the intermediary is operating a centralised or decentralised model.

MAS’ response to the feedback received on the Bill is available [here](#).

The Proposed Payment Services Regulations

In April 2019, the MAS issued its consultation paper on the Proposed Regulations. The Proposed Regulations are intended to be the main regulations for licensees and other regulated persons under the Payment Services Act.

The following are some key proposals under the Proposed Regulations:

- **Licence variation.** Licensees may make an application to vary their licence class or change the type of payment services provided. Recognising that standard payment institutions may experience surges in their payment transaction volume, there is a 30-day grace period from the time such an institution breaches the specified threshold to upgrade its licence.

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- **Solicitation restrictions.** Generally, only licensees or exempted payment service providers may offer to provide their payment service to the public in Singapore. Where an offer is made through any internet website or mobile application, a relevant consideration is whether it is principally for circulation or reception in Singapore.

MAS' consultation paper on the Proposed Regulations is available [here](#).

Comment

The Bill, Proposed Regulations and other subsidiary legislation are expected to come into force in the later part of 2019. Businesses will be given a specified grace period to comply with the new laws after the Bill comes into force. For example, e-money issuers that have afloat not exceeding SGD30 million have a 12-month grace period, while digital payment token service providers have a 6-month grace period.

Payment service providers and issuers of digital tokens that have a presence in Singapore should assess whether their business may be affected by the payment services laws. Depending on specific circumstances, companies may wish to make adjustments to their business to avail themselves of the limited exemptions available.

If you have further questions on the above, please contact [Heng Jun Meng](#) of ZICO Insights Law LLC.

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