



NATARAJAN & SWAMINATHAN LLP
A MEMBER FIRM OF KNAV INTERNATIONAL LTD

PAYMENT SERVICE ACT SINGAPORE

FRIDAY, 25TH APRIL, 2025 @ 5.00PM SGT



MR. R NARAYANA MOHAN

Senior Partner, Natarajan & Swaminathan LLP
Chartered Accountants of Singapore.
PAST CHAIRMAN of SICCI is inviting you to a
scheduled Teams meeting.

JOIN ZOOM MEETING

<https://zoom.us/j/97589051143?pwd=x5XpybaaCB0YYScgxIC4Myc2JCX3ah.1>

Meeting ID: 975 8905 1143
Passcode: 285878

CONTENTS

- **MAS – Monetary Authority of Singapore and the acts which are regulated by MAS**
- **Payment Services Act**
- **Financial Services covered under the Payment Service Act**
- **Accredited Investors and Institutional Investors**
- **Licenses issued under Payment Service Act**
 - a) **Major Financial Institution**
 - b) **Standard Financial Institution**
 - c) **Money-changer License**
- **Payment service act – Compliance requirements**
- **Payment Services Act – Licensed Service Providers and their activities**
- **Q & A**

PAYMENT SERVICES ACT

Monetary Authority of Singapore Act (Cap. 186)

The following acts are also monitored, regulated and licensed by Monetary Authority of Singapore.

- Banking Act (Cap. 19)
- Insurance Act (Cap. 142)
- Securities and Futures Act (Cap. 289)
- Payment Services Act
- Financial Advisors Act (Cap. 110)
- Variable Capital Companies Act
- Trust Companies Act

Payment Services Act

What is Payment Services Act?

The Payment Services Act (PSA) of Singapore, which came into effect in January 2020, is a comprehensive piece of legislation that regulates payment services and payment systems in Singapore. It aims to provide a flexible, streamlined regulatory framework for the payment services sector, ensuring it remains safe, efficient, and innovative in the face of rapid technological change.

The PSA aims to create a robust regulatory environment that balances consumer protection, innovation, and market efficiency, while keeping pace with the evolving digital economy.

Why was PSA introduced?

Before the PSA, different types of payment services in Singapore were regulated under separate laws and frameworks. This fragmented approach did not adequately account for the rapid changes in the payments landscape, especially with the rise of digital payments, cryptocurrencies, and other innovative technologies. The PSA consolidated and streamlined regulations under one roof, allowing for greater regulatory clarity, while still enabling innovation in the sector.

Payment Services Act

Financial Services covered under the Payment Service Act

1. An account issuance service - Issuing a payment account, or any service relating to any operation required for operating such accounts. Examples include electronic wallets (e-wallets) or a stored-value card that can be used to pay at various merchants or to transfer funds to other parties.
2. Domestic money transfer service - Providing local funds transfer service in Singapore, which could include payment gateway services and payment kiosk services.
3. Cross-border money transfer service - Providing inbound or outbound remittance service in Singapore, as well as facilitating remittance between entities in different countries even if monies are not accepted or received in Singapore.
4. Merchant acquisition service - Providing the service of accepting and processing payment transactions for a merchant under a contract. This service usually includes the provision of a point-of-sale terminal or online payment gateway. Merchant acquirers may also be providing a money transfer service if they facilitate the transfer of funds.

Payment Services Act

Financial Services covered under the Payment Service Act

5. E-money issuance service - Issuing e-money, which can be used for payment or fund transfers.

6. Digital Payment Token service (DPT) -

- Buying or selling digital payment tokens (DPTs) (commonly known as cryptocurrencies)
- Providing a platform to allow persons to exchange DPTs
- Transmitting or arranging for the transmission of DPTs
- Provision of custodian wallet services for DPTs
- Actively facilitating the buying or selling of DPTs without possession of monies or DPTs.

7. Money-changing service - Buying or selling foreign currency notes.

Payment Service Act – Key Investor Classifications

Accredited Investors and Institutional Investors

Accredited Investors (Als)

An individual qualifies as an **Accredited Investor** if they meet at least one of the following:

- Net personal assets exceed SGD 2 million, of which the value of the primary residence can only contribute up to SGD 1 million.
- Income in the preceding 12 months is not less than SGD 300,000.
- Financial assets (net of liabilities) exceed SGD 1 million, held in an account in their own name or jointly with a spouse.

Regulatory Considerations-

- Payment service providers (PSPs) serving only **Als** may benefit from relaxed compliance requirements, especially in areas like AML/CFT, disclosure, and suitability assessments.
- Als can access more complex or higher-risk financial products, including certain crypto-related services or cross-border offerings, which are restricted for retail investors.

Payment Service Act – Key Investor Classifications

Accredited Investors and Institutional Investors

Institutional Investors (IIs) - Under the Securities and Futures Act (SFA), which is referenced by the PSA, Institutional Investors include:

- Licensed banks
- Finance companies
- Insurance companies
- Capital market services license holders
- Government bodies
- Entities prescribed by MAS (e.g., sovereign wealth funds)
- Listed and non-listed companies having net worth of 10M in assets

Regulatory Considerations-

- Institutional Investors are considered sophisticated market participants and are not afforded the same level of protection as retail investors.
- Payment service providers may engage with IIs with minimal regulatory friction, allowing greater flexibility in offering tailored payment solutions, foreign exchange services, and digital token services.

Payment Service Act - Types of Licenses

Licenses issued under Payment Service Act

- Standard Payment Institution License (SPI)
- Major Payment Institution License (MPI)
- Money-Changing License

Standard Payment Institution License

You can apply for a standard payment institution (SPI) licence if your payment services meet the following thresholds:

- S\$3 million monthly transactions for any payment service (other than e-money account issuance and money-changing services).
- S\$6 million monthly transactions for two or more payment services (other than e-money account issuance and money-changing services).
- S\$5 million of daily outstanding electronic money (e-money).

Payment Service Act - Types of Licenses

Standard Payment Institution License - Eligibility Criteria

If you are applying for an SPI licence, you must meet all of the following criteria:

- Be a Singapore-incorporated company or a Singapore branch of a foreign corporation.
- Have a permanent place of business or a registered office where the books and records can be securely held.
 - At least one person must be appointed to be present at the place of business or a registered office to address any queries or complaints from consumers.
- Have a minimum base capital of S\$100,000.
 - You must have sufficient capital buffer in excess of the base capital requirement, bearing in mind the scale and scope of its operations and the potential for profit and losses.
- Should have either 1 executive director who is a Singapore Citizen or Singapore Permanent Resident (PR), or 1 executive director who is a Singapore Employment Pass (EP) holder and at least 1 other director who is a Singapore citizen or Singapore PR.

Note: MAS considers each application on its own merits and may take into account these factors on a case-by-case basis.

Payment Service Act - Types of Licenses

Standard Payment Institution License - Assessment Criteria

- ☐ Fitness and propriety
- ☐ Competency of key individuals
- ☐ Compliance arrangements
- ☐ Technology risk management
- ☐ Audit arrangements
- ☐ Annual audit requirements
- ☐ Letter of Responsibility and Letter of Undertaking

Payment Service Act - Types of Licenses

Major Payment Institution License

Under a major payment institution (MPI) licence, you can conduct multiple payment services without being subjected to the following threshold limits on transaction volume or float :

- S\$3 million monthly transactions for any payment service (other than electronic money (e-money) account issuance and money-changing services).
- S\$6 million monthly transactions for two or more payment services (other than e-money account issuance and money-changing services).
- S\$5 million of daily outstanding e-money.

Note: You should apply for a standard payment institution (SPI) licence if the payment services you provide are below the specified threshold limits.

Payment Service Act - Types of Licenses

Major Payment Institution License - Eligibility Criteria

If you are applying for an MPI licence, you must meet all of the following criteria:

- Be a Singapore-incorporated company or a Singapore branch of a foreign corporation.
- Have a permanent place of business or a registered office where the books and records can be securely held.
 - At least one person must be appointed to be present at the place of business or a registered office to address any queries or complaints from consumers.
- Have a minimum base capital of S\$250,000.
 - You must have sufficient capital buffer in excess of the base capital requirement, bearing in mind the scale and scope of its operations and the potential for profit and losses.
- Should have either 1 executive director who is a Singapore Citizen or Singapore Permanent Resident (PR), or 1 executive director who is a Singapore Employment Pass (EP) holder and at least 1 other director who is a Singapore citizen or Singapore PR.

Payment Service Act - Types of Licenses

Major Payment Institution License - Assessment Criteria

When assessing an application for an MPI licence, MAS takes into consideration (but not limited to) the following factors:

- ☐ Fitness and propriety
- ☐ Competency of key individuals
- ☐ Security
- ☐ Compliance arrangements
- ☐ Technology risk management
- ☐ Audit arrangements
- ☐ Annual audit requirements
- ☐ Letter of Responsibility and Letter of Undertaking

Payment Service Act - Types of Licenses

Money-changing License

If you provide money-changing service (for example, the service of buying or selling foreign currency notes), you will have to apply for a money-changing licence.

Eligibility Criteria

You may apply for a money-changing licence if all of the following criteria are met:

- ❖ A sole proprietorship
- ❖ A partnership or limited liability partnership (LLP)
- ❖ Singapore-owned company
- ❖ Singapore incorporated wholly-owned subsidiary of a foreign bank, or a foreign company primarily engaged in money-changing

Payment Service Act - Types of Licenses

Money-changing License – Assessment Criteria

- Fitness and propriety
- Competency of key individuals
- Permanent place of business or registered office
- Compliance arrangements
- Audit arrangements
- Annual audit requirements
- Letter of Responsibility and Letter of Undertaking

Payment Service Act

Compliances

Regulation 20 of the Payment Services Regulations 2019 - Audit report must be submitted within 6 months after end of financial year

Section 28(1) of the Payment Services Act 2019 - A person must not become a 20% controller of a licensee company, without first applying and obtaining approval of MAS

Section 34(1) and section 34(4) of the Payment Services Act 2019 – The licensee company's CEO or Director must obtain approval of MAS under subsection 3(b) to appoint an individual as the licensee CEO or director

The individual may without prior approval of MAS be re-appointed as CEO or director of the licensee company immediately upon the expiry of the individual's term of appointment

Section 37(4) of the Payment Services Act 2019 – To maintain the books of accounts to sufficiently explain, true and fair profit & loss account and balance sheet.

Payment Service Act

Complainces

Section 37(9) of the Payment Services Act 2019 – An auditor must report to MAS if any of the following matters occur –

- A serious breach or non-observance of the provisions of the Act or any requirements imposed under any other written law administered
- A criminal offence of fraud or dishonesty has been committed
- Losses incurred reducing the capital of the licensee company by 50%
- Irregularity that has or may have a material effect on the accounts of the licensee company, including any irregularity that causes major disruption to the provision of any type of payment service to the customers of the licensee company.
- The auditor is unable to confirm that the claims of creditors of the company is still covered by the assets of the company

Payment Services Act – Licensed Service Providers and their activities



THANK YOU



Any

Questions