

RESPONSE TO CONSULTATION PAPER

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the submission to MAS. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

Consultation topic:	Proposed Payment Services Bill
Name¹/Organisation: <small>¹if responding in a personal capacity</small>	Tan Kin Lian, President, Financial Services Consumer Association. I am responding in my personal capacity
Contact number for any clarification:	81685845/ 66599611
Email address for any clarification:	kinlian@gmail.com
Confidentiality	
I wish to keep the following confidential:	My entire submission is not confidential

General comments:

Question 1. Activities regulated under the licensing regime

MAS seeks comments on scope of activities selected for regulation under the licensing regime, including whether incidental payment services should be regulated. MAS also seeks views on whether the risks and considerations identified for retail payment services are suitable.

I will confine my views to e-money kept in a SVF. An operator of a SVF should be required to apply for a licence from MAS. One condition of the licence should be that all the money in the SVF should be kept in a trust account with a bank and the SVF should provide to an auditor, appointed by MAS, access to view the total balance in all accounts in the SVF and to confirm that there is a matching balance in the trust account on a daily basis. I suggest that the auditor should be appointed by MAS, rather than the SVF.

There is a need to carry out a system integrity check to ensure that the transactions and totals disclosed to the auditor are the true figures. This can be done at the initial stage and can be done at any time that the auditor deems to be necessary.

Some SVF can apply to be exempted from the audit requirement. This exemption can be decided by MAS based on merit.

I suggest that a similar requirement be imposed for money transfer services and money changing services. However, I am not familiar with the actual operational constraints. My view on this matter is not firm.

Question 2. Scope of e-money and virtual currency

MAS seeks comments on whether the definitions of e-money and virtual currency accord with industry understanding of these terms. MAS also seeks comments on whether monetary value that is not denominated in fiat currency but is pegged by the issuer of such value to fiat currency should also be considered e-money.

I suggest that all forms of e-money and virtual money should be covered under the regulation, including crypto-currency and merchant loyalty points. MAS should have the authority to determine the implementation date for each category of e-money or virtual currency and to exempt certain SVF from the requirements of the regulation.

For example, MAS may decide to defer the regulation of merchant loyalty points to a later date or to require only large scale merchant loyalty points to be regulated.

If a merchant wishes to issue loyalty points, they should set aside the means to administer the program fairly and transparently to its customers.

Question 3. Virtual currency services

MAS seeks comments on whether the scope of virtual currency services is suitable given our primary regulatory concern that virtual currencies may be abused for ML/TF purposes.

I would not worry too much about the risk of money laundering and terrorist financing using e-money. The criminals would probably find it easier to carry cash in suitcases where there is no trail on the money flow.

Question 4. Limited purpose e-money

MAS seeks comments on whether the scope of the limited purpose e-money exclusion sufficiently carves out most types of stored value where user reach is limited, not pervasive and ML/TF risks low.

This exclusion is useful.

Question 5. Loyalty programs as limited purpose e-money

MAS seeks views on whether there are other characteristics of a loyalty program that should be included in the exclusion.

If the loyalty program has value exceeding a certain threshold, it should be regulated like e-money.

Question 6. Limited purpose virtual currency

MAS seeks comments on whether the proposed exclusion covers most types of virtual currency that are limited in user reach. If there are more types of such limited purpose virtual currencies that should be excluded, please let us know the names or characteristics of such virtual currencies.

Question 7. Regulated financial services exclusion

MAS seeks comments on the scope of the regulated financial services exclusion and in particular, whether other types of regulated financial services should be included. Please be specific in your response on what these types of financial services are, and which legislation they are regulated under.

Question 8. Excluded activities

MAS seeks comments on the other proposed excluded activities, in particular whether the description of the activities is sufficiently clear and whether more activities should be excluded. Please provide clear reasons to substantiate your comments on other activities that in your view should be excluded. Where referring to another jurisdiction's legislation, please provide us with the full name of the legislation and specific provision number.

Question 9. Single licence structure

MAS seeks comments on the proposed single licence structure and whether this approach is beneficial for potential licensees. MAS also seeks views on the proposal to regulate Standard Payment Institutions primarily for ML/TF risks only.

Question 10. Three licence classes

MAS seeks comments on the proposed licence classes and whether the threshold approach to distinguishing Standard Payment Institutions and Major Payment Institutions is appropriate. MAS also seeks views on whether the threshold amounts proposed are suitable for the purposes of licence class determination.

Question 11. Designation criteria

MAS seeks comments on the proposed new designation criteria.

Question 12. Licence and business conduct requirements

MAS seeks comments on the proposed licence and business conduct requirements. In particular, MAS seeks comments on whether the proposed capital and security deposit requirements are suitable. MAS would also like to know if there are concerns regarding the directorship and place of business requirements, and whether these measures will encourage businesses to set up in Singapore.

Question 13. Specific risk migrating measures

MAS seeks comments on the approach of imposing specific risk mitigating measures on only licensees that carry out the relevant risk attendant activity.

Question 14. AML/CFT requirements

MAS seeks comments on the proposed AML/CFT requirements, and whether the thresholds to trigger AML/CFT requirements are appropriate. MAS also seeks views on how payment service providers will distinguish bona fide payment for goods and services from peer-to-peer transactions. Please also provide your views on whether payments made to individuals selling goods on e-commerce platforms should also be considered payments for goods and services, and thereby potentially be exempted from AML/CFT requirements.

Question 15. User protection measures

MAS seeks comments on the user protection measures proposed.

- In particular, MAS seeks views on whether relevant licensees will be able to comply with the proposed float and funds in transit protection measures, the likely cost of such compliance and what float and funds in transit protection measures your business currently employs. Please substantiate your response with data if possible.
- MAS also seeks comments on what other options MAS should include for float and funds in transit protection measures, and what type of secure low risk assets would be suitable for safeguarding of float and funds in transit.
- With regard to the safeguarding of e-money float that is collected from Singapore residents (with residency status to be decided between the e-

money issuer and the e-money user), MAS seeks views on whether the following alternative scope of e-money float is more appropriate.

The e-money float comprises:

- (a) e-money that is issued in Singapore to persons ordinarily resident in Singapore; or
- (b) e-money that is primarily for use within Singapore.

Question 16. Personal e-wallet protection

MAS seeks comments on the proposed protection measures for personal e-wallets, and whether the wallet size restriction of \$5,000 and transaction flow cap of \$30,000 is suitable. If these restrictions adversely affect your business please let us know what amounts would be more suitable. Please substantiate your response with data if possible.

Question 17. Disclosure requirement for Standard Payment Institutions

MAS seeks comments on the proposed disclosure requirement for Standard Payment Institutions, in particular, what information should be contained in the disclosure and how Standard Payment Institutions should be required to disclose such information to their customers. MAS also seeks views on whether there is still a need to retain the requirement to display a licence as set out in section 14 of the MCRBA.

Question 18. Interoperability powers

MAS seeks comments on the proposed interoperability powers. MAS also seeks views on what other means we may use to achieve interoperability of payment solutions in Singapore.

It is highly desirable to have a clearing house to allow e-money payments to be made across different platforms or SVF. This will allow a customer with an e-wallet hosted by X to pay to a merchant with an e-wallet hosted by Y.

The clearing house should also handle the accounting between the different platforms or SVF. The balances should be cleared through the trust account owned by the platforms or SVF.

When the clearing house is in operation, payments using the e-wallets and QR codes will become convenient for customers and merchants.

At the initial stage, the transactions made through the clearing house should be free and be funded by MAS. This will put the e-wallet payments on the same footing as cash, which is now free to the customers and the merchants. There is a hidden cost in the time required to withdraw and deposit cash, but this is often ignored by the customers and merchants.

After a year or so, it should be possible for the clearing house to impose a transaction fee of not more than 0.3% of the amount. At that time, MAS should also allow the banks to impose a small fee for cash deposit and withdrawal to level the playing field for cash and non-cash payments.

Another advantage of the clearing house is that the risk of loss of money in transit is virtually eliminated.

MAS should impose a requirement that all money in transit should be made through the clearing house.

Question 19. Technology risk management measures

MAS seeks comments on the proposed approach to technology risk management regulation.

Question 20. General powers

MAS seeks comments on the general powers proposed in the Bill and the proposed approach to the exercise of emergency powers in the Bill. MAS seeks views on whether the emergency powers should be extended to all regulated entities under the Bill or should be limited to Major Payment Institutions and DPS operators and settlement institutions.

Question 21. Exemptions for certain financial institutions

MAS seeks comments on whether the proposed exemptions for certain financial institutions are appropriate and whether this helps to level the playing field for payment service providers in general. MAS also seeks views on whether any other types of entities should be similarly exempted.

I do not see the need for certain financial institutions to be exempted. If they operate an e-wallet or act as a SVF, they should be required to apply for a license and meet the same requirements as other operators.

Question 22. Transitional arrangements

MAS seeks comments on whether the proposed transitional arrangements help current regulated entities and Newly Regulated Entities to transition smoothly to the new Bill. In particular, please let us know if we have buffered sufficient lead time for all affected entities to build sufficient compliance capabilities.

Question 23. Class exemption

MAS seeks comments on the proposed class exemption and whether there are reasons not to grant such a class exemption on the grounds described.

Submitted by



Tan Kin Lian

kinlian@gmail.com

Mobile: 81685845

9 January 2018