Navigating the Payment Services Act

Digital wallets, e-money, cryptocurrency, payment gateways, stable coins and the list of new payment services available on the market goes on. Disruptive trends such as Fintech innovation and the proliferation of innovative payment solutions in the payments landscape have led to increased risks in areas like money-laundering and terrorism financing, consumer and merchant protection, interoperability and technology.

To calibrate the regulation of payment services providers based on the risk posed to the financial system, a new regulatory framework under the Payment Services Act 2019 (PSA) was passed in Parliament in January 2019 and is expected to commence in 2020.

The new legislation will streamline the regulation of payment services under a single activity-based legislation, while expanding the scope of regulated activities to include both traditional and innovative payment solutions.

How can you be prepared for the changes and what are some things you should be considering?

- The PSA will licence seven different categories of payment services. Some of these activities are currently already regulated under the existing laws.

- The PSA will also expand the range of payments-related services that will become subject to regulation. Activities such as account issuance services, domestic money transfer services, inward remittance services, merchant acquisition and digital payment token services which were not previously regulated will become subject to licensing when the PSA comes into force.

- The regulation of stored value facilities will also be extended under the PSA as the new regulated activity in respect of e-money issuance will regulate the issue of stored value that can be used to make payments for all types of purposes and not only stored value used to make payment for goods and services as is the case under the current laws.

- For businesses that are currently conducting or intending to conduct payments-related activities, it will be necessary to consider if the scope of their payment-related activities falls within the categories which will become licensable under the PSA. If so, then such businesses would become subject to licensing requirements, on-going business conduct requirements and risk mitigation measures upon the commencement of the PSA unless the relevant activities fall within the scope of exclusions or class exemptions that will be available.

For advice in this area of law, contact Elaine Chan, Partner and Joint Head, Financial Services Regulatory Practice at elaine.chan@wongpartnership.com. Elaine recently shared her views on the PSA at a recent seminar organised by the Law Society of Singapore. Click here to download the slides.