Purpose and architecture of the Act

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The Payment Services Act 2019 (PSA) replaced the Payment Systems (Oversight) Act and the Money-changing and Remittance Businesses Act with a single licensing statute for payment services. Parliament passed it on 14 January 2019, after which it commenced on 28 January 2020 together with the Payment Services Regulations 2019.[1] The Act has two limbs, of which the first is a designation regime for systemically important payment systems, which concerns the reader only where a stablecoin arrangement might one day be designated. The second is the licensing regime for payment service providers, which governs every exchange, broker, custodian and wallet business dealing in crypto assets in Singapore.

The design choice that matters most for digital assets was made in 2019, when MAS decided to regulate crypto assets as payment instruments. It placed the "digital payment token service" alongside account issuance, domestic money transfer, cross-border money transfer, merchant acquisition, e-money issuance and money-changing as one of seven payment services in Part 1 of the First Schedule.[2] The consequence was deliberate, because crypto businesses were brought under anti-money laundering (AML) supervision and under a modular licence from the start. The question whether a token is also an investment product was left to the

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Securities and Futures Act 2001 (SFA). The Act therefore does not ask what a token is worth or whether it is a good investment. It asks whether a person carries on a business of providing a listed service in Singapore.

A licence is required by s. 5(1) PSA for any person who carries on a business of providing any type of payment service in Singapore, unless the person is exempt. The licence comes in three classes under s. 6: a money-changing licence, a standard payment institution (SPI) licence and a major payment institution (MPI) licence.[3] The class is determined by volume, so that a provider may stay an SPI as long as its monthly transactions do not exceed S$ 3 million for any single payment service or S$ 6 million for two or more payment services, provided its daily outstanding e-money also stays within S$ 5 million.[4] Above those thresholds the provider must hold an MPI licence, which carries higher base capital, a security deposit and safeguarding duties. For a crypto exchange of any commercial scale the thresholds are crossed within weeks, so the MPI licence is the realistic target. The SPI licence matters mainly to brokers, over-the-counter desks and start-ups in their first year.

Notes

1. Payment Services Act 2019 (No. 2 of 2019); Payment Services Regulations 2019 (S 810/2019), reg. 1 (in operation 28 January 2020), both on Singapore Statutes Online. ↩
2. PSA, First Schedule, Part 1, paras (a) to (g); s. 2(1) definition of "payment service". ↩
3. PSA, ss 5(1) and 6(1) to (5). ↩
4. MAS, "Standard Payment Institution Licence", eligibility and threshold page on mas.gov.sg, restating PSA s. 6(5): S$ 3 million monthly for one payment service, S$ 6 million for two or more, S$ 5 million daily e-money float. ↩

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