Selling a licensed Singapore business

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The MAS approvals

A payment institution licensed under the Payment Services Act 2019 cannot change hands without MAS's prior approval. The Act requires any person who wishes to become a 20 per cent controller or an indirect controller of a licensee to obtain MAS's approval first, and MAS may approve subject to conditions, refuse, or later object to a controller who has become unfit.[1] A holder of a capital markets services licence under the Securities and Futures Act is subject to the parallel regime for substantial shareholders and controllers.[2] A DTSP licensed under the FSMA is subject to the control provisions of Part 9 of that Act.[3]

MAS's review of a change of control examines the acquirer's fitness and propriety, its financial soundness, its source of funds and its plans for the licensee, under the same Guidelines on Fit and Proper Criteria that govern licensing.[4] The review takes three to six months. MAS has in recent years attached conditions to approvals that require the acquirer to maintain the licensee's Singapore substance, to retain key compliance personnel for a period and to report on the integration. A foreign acquirer of a Singapore payment institution should expect those conditions and price them.

The licence is not an asset

A Singapore licence cannot be sold. It is personal to the licensee, lapses if the licensee ceases to carry on the business and cannot be transferred to another entity.[5] The consequence is that a buyer who wants the licence must buy the company, with everything the company has done. A buyer who wants only the business must apply for its own licence and migrate the customers. The same is true of a FINMA licence and of an SRO affiliation in Switzerland. The "licensed shell" that occasionally appears on the market, a company with a licence and no business, is of limited value in either hub. The regulator will treat the acquisition as a new application in substance and will ask the acquirer to demonstrate the organisation, capital and people that the licence requires.

Notes

1. Payment Services Act 2019 (2020 Rev. Ed.), Part 3 (control of licensees: approval required before a person becomes a 20 per cent controller or an indirect controller; definitions of "20% controller" and "indirect controller" in s. 2(1)); MAS, Guidelines on Licensing for Payment Service Providers (PS-G01), section on changes in control. Part K, Chapter II.

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2. Securities and Futures Act 2001, Part IV, Division 1 (approval requirements in respect of substantial shareholders and controllers of holders of capital markets services licences). Part K, Chapter X.
3. Financial Services and Markets Act 2022, Part 9 (control of licensed digital token service providers). Part K, Chapter V.
4. MAS, Guidelines on Fit and Proper Criteria (FSG-G01), as revised; MAS, Guidelines on Licensing for Payment Service Providers (PS-G01), Annex (information required for applications relating to controllers). Part K, Chapter II.
5. Payment Services Act 2019, s. 10 (lapsing of licence where the licensee ceases to carry on the business or is wound up) and s. 11 (revocation and suspension). Part K, Chapter II.

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