The structure of PSN02

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MAS Notice PSN02 is organised in the same sequence as every other MAS AML/CFT notice, from the Banking Act notice (MAS Notice 626) to the notices for capital markets intermediaries, trust companies and insurers. A reader who knows one knows the skeleton of all. The notice opens with definitions and scope, states the underlying principles, requires an enterprise-wide risk assessment and a risk-based approach and deals with new products and technologies. It then sets out customer due diligence (CDD) in three tiers (standard, simplified, enhanced), followed by reliance on third parties, value transfers, record-keeping, personal data and suspicious transaction reporting. It closes with internal policies, compliance, audit and training.[1] The structure is pedagogical as well as regulatory. It tells the compliance officer the order in which MAS expects the firm to think.

Two features distinguish PSN02 from its sibling notices. First, it applies to every DPT transaction regardless of amount. The S$ 20,000 occasional-transaction threshold below which PSN01 allows a payment service provider to deal with a walk-in customer without full CDD has no counterpart in PSN02. A DPT service provider that undertakes any transaction for a customer with whom it has no established business relationship must perform CDD on that customer before the transaction.[2] MAS adopted this position in 2019, going beyond the FATF floor of

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USD/EUR 1,000 for occasional virtual-asset transactions, on the reasoning that the pseudonymity of DPT transfers made any threshold a structuring invitation. Second, the value-transfer requirements (the travel rule) apply to all DPT transfers, again without a minimum, with a lighter information set below S$ 1,500. Chapter III deals with that rule.

The consequence for business models is severe and intended. A DPT kiosk, an over-the-counter desk or a non-custodial swap interface that wants to serve customers anonymously below a threshold has no room in Singapore. Every customer is a known customer. Firms that have come to Singapore from jurisdictions with a de minimis rule, Switzerland among them with its CHF 1,000 exchange threshold, have had to re-engineer onboarding flows accordingly (see Part F, Chapter III for the Swiss rule).

Notes

1. MAS Notice PSN02, Prevention of Money Laundering and Countering the Financing of Terrorism – Digital Payment Token Service, structure of paras 1–17 as revised; the sequence mirrors MAS Notice 626 for banks and MAS Notice SFA04-N02 for capital markets intermediaries. ↩
2. MAS Notice PSN01, para. 6 (CDD triggers, including the S$ 20,000 occasional-transaction threshold for specified payment services); MAS Notice PSN02, para. 6 (CDD triggers for DPT services, with no monetary threshold); MAS, Response to Feedback Received on the Proposed AML/CFT Notices under the Payment Services Act, 5 December 2019. ↩

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