The Payment Services Act 2019

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From two old statutes to one activity-based law

Before 2020 the regulation of payments in Singapore was divided between two statutes. The Money-changing and Remittance Businesses Act governed money-changers and remittance agents, while the Payment Systems (Oversight) Act gave the Monetary Authority powers over systemically important payment systems and stored value facilities. Neither had been written with cryptocurrencies in mind. The Payment Services Act 2019 repealed both statutes and replaced them with a single framework, which the Monetary Authority described as activity-based: a firm would need a licence for the services it actually provided, whatever the form or label of its business.[1]

The Payment Services Bill was introduced in Parliament on 19 November 2018 and passed its second and third readings on 14 January 2019. It received assent on 11 February 2019 as Act 2 of 2019 and came into force on 28 January 2020. The second reading speech was delivered by Ong Ye Kung, then Minister for Education, on behalf of Tharman Shanmugaratnam, the minister in charge of the Monetary Authority. He presented the Act as a response to a payments landscape transformed by technology, in which new providers and new forms of value had escaped the old categories.[2]

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The Act regulates seven payment services: account issuance, domestic money transfer, cross-border money transfer, merchant acquisition, e-money issuance, digital payment token services and money-changing.[3] The list placed cryptocurrency dealing in the same statute as a remittance shop or a card acquirer. The choice was deliberate. For the legislator of 2019, the economic function of a token such as bitcoin was that of a means of payment outside the official monetary system, and the risk that mattered most was its use for laundering money.

The digital payment token

The Act defines a digital payment token as a digital representation of value, expressed as a unit, that is not denominated in any currency and not pegged by its issuer to any currency, which is or is designed to be a medium of exchange accepted by the public or a section of the public as payment for goods or services or for the discharge of a debt, and which can be transferred, stored or traded electronically.[4] The definition captures bitcoin, ether and most other cryptocurrencies that circulate as means of exchange. Tokens that represent shares, units in a collective investment scheme or debentures fall outside it, because they are capital markets products governed by the Securities and Futures Act, whose architecture Chapter E.I describes.

A digital payment token service, in the original version of the Act, consisted of two activities: dealing in such tokens and facilitating their exchange. A firm that bought and sold bitcoin for its own account against customers, or that operated a platform on which customers exchanged tokens with each other, needed a licence. A firm that only held tokens in custody, or that only transmitted them, did not. This gap was soon recognised and closed by later amendments described below.

Three classes of licence

The Act created three classes of licence. A money-changing licence covers only money-changing. A standard payment institution licence allows a firm to provide any combination of the seven services as long as its transaction volumes and its e-money float remain below specified thresholds. A major payment institution licence

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is required above those thresholds and brings more demanding obligations, including the safeguarding of customer money. The second reading speech described the regime for standard payment institutions as a kind of permanent sandbox, in which small firms could grow under lighter rules before taking on the full burden of regulation.[5]

The thresholds for a standard payment institution were set at three million Singapore dollars in monthly transactions for any one payment service, or six million dollars for two or more services, with account issuance and money-changing left out of the count, together with five million dollars of daily outstanding e-money.[6] Many crypto exchanges exceeded these figures and therefore applied for the major licence. The class of licence was thus determined by the volume of business and the range of services offered, whatever the nature of the token or the business model of the exchange.

Money laundering as the first purpose

The Act was explicit about its priority. In his second reading speech, Ong Ye Kung said that digital payment token services "carry significant money laundering and terrorism financing risks" and announced that all providers of dealing or exchange services in Singapore would have to meet anti-money laundering and counter-terrorist financing requirements. He also claimed for Singapore a place among the first financial regulators to introduce a framework for such services.[7]

The requirements were set out in a notice of the Monetary Authority for digital payment token service providers, which applied the customer due diligence, record-keeping, transaction monitoring and suspicious transaction reporting obligations known from banking.[8] In June 2019 the Financial Action Task Force extended its own standards to virtual asset service providers, requiring them to be licensed or registered and to be regulated for the risks of money laundering and terrorist financing.[9] Singapore's statute, passed five months earlier, anticipated much of that standard. The broader framework for money laundering control in Singapore is examined in Chapter H.III.

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What the Act did not do in its original form was equally important. It did not regulate the soundness of the tokens themselves, nor did it protect investors against losses from price movements. The Monetary Authority repeatedly warned the public that trading in cryptocurrencies was highly risky and that licensing did not amount to an endorsement of any token. On 17 January 2022 it issued guidelines under which licensees and other providers should not promote their services to the general public in Singapore.[10] The guidelines named public areas and social media influencers as channels to be avoided, which removed crypto advertising from public transport and public screens.[11]

The licensing queue

The licensing process turned out to be slow and selective. Firms that were already active when the Act came into force could continue under a transitional exemption while their applications were assessed. In a reply to a parliamentary question on 26 July 2021, Tharman Shanmugaratnam reported that the Monetary Authority had received over 480 licence applications under the Act, about 170 of them, or around 35 %, for digital payment token services. Thirty of those applications, or 18 %, had been withdrawn after engagement with the authority, two had been rejected, and no licence had yet been issued to a provider of such services. About ninety providers were operating under the exemption.[12]

The figures illustrate a deliberate policy. The Monetary Authority used the application process to examine the ownership, governance, controls and business plans of applicants in depth, and many withdrew when it became clear that they would not meet its expectations. The first licences and in-principle approvals for crypto firms followed from late 2021, and by the middle of the decade several dozen firms held major payment institution licences for digital payment token services, among them subsidiaries of banks, global exchanges and specialised custodians.[13] For a global exchange, a Singapore licence became a mark of quality that could be cited in negotiations with banks and regulators elsewhere.

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The amendments of 2021 and their commencement in 2024

The gaps in the original Act were addressed by the Payment Services (Amendment) Act 2021, which Parliament passed in January 2021. Its commencement was delayed until 2024, when the Monetary Authority published the subsidiary legislation and notices needed to implement it. On 2 April 2024 the authority announced that three further activities would come within the Act from 4 April 2024: the provision of custodial services for digital payment tokens, the facilitation of transfers and exchanges of such tokens even where the provider never comes into possession of the money or tokens, and the facilitation of cross-border money transfers even where the money is not accepted or received in Singapore.[14]

The amendments also gave the Monetary Authority power to impose requirements on user protection and financial stability, alongside those on money laundering. Firms already conducting the newly regulated activities had to notify the authority within 30 days, submit a licence application within six months and provide, within nine months, an attestation by an external auditor on their business and their controls against money laundering.[15] With these changes, the statute that had begun as an instrument against money laundering became a full conduct regime for the crypto industry. The events that made this change urgent are the subject of the next section.

Notes

1. Mondo Visione, “Monetary Authority of Singapore: Payment Services Act Comes Into Force”, 28 January 2020 (reproducing the MAS media release): the Act “adopts an activity-based licensing framework”; the Money-changing and Remittance Businesses Act and the Payment Systems (Oversight) Act are repealed. ↩

2. Wikipedia, “Payment Services Act 2019” (accessed November 2026): Bill No. 48/2018, introduced 19 November 2018, second and third readings 14 January 2019, assent 11 February 2019, Act 2 of 2019, commenced 28 January 2020.

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MAS, "Payment Services Bill", Second Reading Speech by Mr Ong Ye Kung, Minister for Education, on behalf of Mr Tharman Shanmugaratnam, 14 January 2019, mas.gov.sg. ↩

3. Wikipedia, "Payment Services Act 2019" (accessed November 2026), listing the seven regulated activities. ↩
4. Payment Services Act 2019, s. 2(1), definition of "digital payment token", together with Part 2 of the First Schedule. ↩
5. MAS, "Payment Services Bill", Second Reading Speech, 14 January 2019: money-changing licensees, standard payment institutions and major payment institutions; standard payment institutions regulated more lightly, in what the speech calls a "permanent sandbox"; regulatory measures "tailored to the scope of services being offered by any provider". ↩
6. MAS, "Licensing for Payment Service Providers", mas.gov.sg (regulation/payments): thresholds of "S$3 million monthly transactions for any payment service", "S$6 million monthly transactions for two or more payment services" (excluding e-money account issuance and money-changing) and "S$5 million of daily outstanding e-money", with reference to s. 6(5) of the Payment Services Act 2019. ↩
7. MAS, "Payment Services Bill", Second Reading Speech, 14 January 2019: digital payment token services "carry significant money laundering and terrorism financing risks"; all DPT dealing or exchange providers in Singapore must meet AML/CFT requirements; also the Bill makes Singapore one of the first financial regulators to introduce a framework for DPT services, commonly understood as cryptocurrency dealing or exchange services. ↩
8. MAS Notice PSN02 on Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Services Licences (Digital Payment Token Service), issued 2019 and amended several times since. ↩
9. MAS, "Explanatory Brief for Financial Services and Markets Bill 2022", 14 February 2022: the FATF adopted enhanced standards for virtual asset service

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providers in June 2019, requiring them to be regulated for money laundering and terrorist financing risks and to be licensed or registered where they are created. ↩

10. MAS, Guidelines on Provision of Digital Payment Token Services to the Public (PS-G02), 17 January 2022, mas.gov.sg: DPT service providers "should not promote their DPT services to the general public in Singapore". ↩
11. PS-G02, on marketing in public areas and through third parties such as social media influencers. ↩
12. MAS, "Reply to Parliamentary Question on Digital Payment Token Service Provider Applicants", 26 July 2021 (question by Mr Louis Chua Kheng Wee, MP for Sengkang GRC): over 480 applications, about 170 (around 35 %) for DPT services; 30 (18 %) withdrawn; two rejected; no licence yet issued; about 90 DPT service providers operating under exemption. ↩
13. MAS Financial Institutions Directory (eservices.mas.gov.sg/fid), list of major payment institutions licensed for digital payment token services; the dates of the first licences of 2021 and the exact number at September 2026 are to be extracted from the directory and the MAS announcements. ↩
14. Allen & Gledhill, "MAS expands scope of regulated payment services, amends ongoing compliance requirements and introduces user protection requirements for DPT service providers under Payment Services Act 2019", April 2024, listing the Payment Services (Amendment) Act 2021 (Commencement) Notification 2024 (S 285/2024), the Saving and Transitional Provisions Regulations 2024 (S 286/2024) and the Payment Services (Amendment) Regulations 2024 (S 287/2024). MAS, media release "MAS Expands Scope of Regulated Payment Services", 2 April 2024: three additional activities regulated, the amendments taking effect in stages from 4 April 2024. ↩
15. Ibid.: notification within 30 days, licence application within six months and external auditor's attestation within nine months of 4 April 2024; MAS may impose AML/CFT, user protection and financial stability requirements on DPT service providers. ↩

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