



# Key Updates to the Guidelines on Licensing for Payment Service Providers

29 July 2024

# LEGAL UPDATE

# In this Update

On 26 July 2024, the Monetary Authority of Singapore published amendments to the Guidelines on Licensing for Payment Service Providers (PS-Go1). These amendments will take effect from 26 August 2024, and should be especially noted by current and future Standard Payment Institutions and Major Payment Institutions.

In this legal update, we summarise the key changes made to the guidelines.

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## Introduction

On 26 July 2024, the Monetary Authority of Singapore (“**MAS**”) published amendments to the Guidelines on Licensing for Payment Service Providers (PS-G01) (“**Guidelines**”). These amendments affect current and future Standard Payment Institutions (“**SPIs**”) and Major Payment Institutions (“**MPIs**”), and will take effect from 26 August 2024.

Among others, there were two key categories of amendments. They relate to additional documents that must accompany a new or variation licence application – (1) a legal opinion; and (2) an external auditor’s independent assessment.

In addition to the foregoing, the MAS also provided further clarifications on existing parts of the Guidelines.

The key changes to the Guidelines are summarised below.

## Key changes to the Guidelines

### Legal Opinion for Licence Applications

For (1) all new applicants applying for an SPI or MPI licence; and (2) existing Payment Services Act 2019 (“**PS Act**”) licensees applying to vary their licence to add a digital payment token (“**DPT**”) service, a legal opinion must be submitted with their applications. Such a legal opinion should:

- (a) be issued by a law firm experienced in advising on the PS Act in Singapore;
- (b) include a clear and concise summary of the applicant’s business model; and
- (c) include an assessment on whether the applicant’s proposed service(s) and/or product(s) are regulated payment services under the PS Act (4.1.1 and 4.1.2, Guidelines).

If the MAS finds the initial legal opinion unclear, the MAS may request for a second legal opinion (4.1.4, Guidelines).

### External Auditor’s Independent Assessment for Licence Applications

Every new applicant and existing PS Act licensee that is intending to provide DPT services, except for entities that have notified the MAS pursuant to the Payment Services (Amendment) Act 2021 (Saving and

Transitional Provisions) Regulations 2024), is required to appoint a qualified independent External Auditor to perform an independent assessment of its policies, procedures and controls in the areas of anti-money laundering/countering the financing of terrorism (“**AML/CFT**”) and Consumer Protection (4.1.5, Guidelines).

The independent assessment report must have been issued and signed off by the External Auditor within the last 3 months from the date of application submission, and be submitted together with the applicant's Form 1 or Form 2 as the case may be (4.1.6, Guidelines).

It must be noted that for the purpose of conducting this independent assessment, the policy and procedures, and other documents to be reviewed by the External Auditor must be the same version submitted by the applicant as part of its application (4.1.7, Guidelines).

The MAS places the onus on applicants to appoint an appropriate and suitably qualified External Auditor to conduct the independent assessment (4.1.8, Guidelines). If the MAS has concerns on the quality and/or the comprehensiveness of the External Auditors' independent assessment, the MAS may require the applicant to appoint another External Auditor to re-perform the independent assessment (4.1.9, Guidelines).

Applicants may engage more than one External Auditor to perform the independent assessment, such as one for an assessment in the area of AML/CFT and another in the area of Consumer Protection (4.1.8, Guidelines).

After an in-principle approval is granted to the applicant, the applicant is required to appoint a qualified independent External Auditor to perform an independent assessment of its policies, procedures and controls in the areas of Technology and Cybersecurity risks (4.1.14, Guidelines).

### **Base Capital**

While there is no change to the base capital requirement for SPIs and MPIs, the MAS had stated that the base capital of SPI or MPI licence applicants should be able to cover at least 6 to 12 months of the applicant's operating expenses.

Applicants should also have an effective monitoring process in place to ensure that they are always able to meet the base capital requirement (3.1.5, Guidelines).

**Technology Risk Management (5.5, Guidelines)**

With effect from 6 November 2024, licensees providing DPT services are also required to comply with the Notice on Technology Risk Management (FSM-N13).

**Minimum Compliance Arrangements (A2, Appendix 2, Guidelines)**

Due to the higher risk posed and the complexity of the business of DPT services, the MAS had imposed a requirement on entities conducting DPT services to have in place an in-house compliance officer, even if they already receive compliance support from an independent and dedicated compliance team at their holding company or related entity.

**Licence Application Review Process (A5, Appendix 5, Guidelines)**

The MAS had shed more clarity on the licence application process.

Following an applicant's complete submission of all required information and documents, an MAS case officer will be assigned to the application and the case officer will reach out to the applicant to inform the applicant of the necessary next steps, which may include an opening meeting.

During the review process, the case officer may have multiple rounds of requests for information and clarifications, depending on the completeness of the responses submitted by the applicant.

After the initial review process, the case officer will arrange for an interview with the applicant's key management personnel and/or the compliance officer. Consultants, external legal counsel and other third parties are not permitted to attend the interview.

It should be noted that where submissions are assessed as grossly incomplete or significantly deficient, the MAS may reject such applications. If an applicant fails to respond to the MAS' requests for information within the stipulated deadline, the MAS will deem the application to be withdrawn.

The MAS may place any application that is assessed to be insufficiently ready for review, to be on-hold for six months in the event significant changes are taking place within the applicant, at any point during the review process. If the significant changes are not completed within the on-hold period, the application will be assessed to be insufficiently ready for review.

Applicants are permitted to withdraw their application at any time.

## Conclusion

Among others, the updates to the Guidelines are implemented to improve the quality of applications and to increase the efficiency of the process of licensing payment services providers. We understand that the licence application process to be a payment services provider in Singapore may be complex and daunting. Our [Financial Regulatory](#) team has assisted a large number of entities to apply and successfully obtain digital payment token service licenses, is closely involved with developments and is well-equipped to help you throughout the entire licensing process.

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