

RESPONSE TO FEEDBACK RECEIVED

7 July 2023

Response to Feedback Received – Proposed Amendments to Restrictions on Personal Payment Accounts that Contain E-Money

MAS

Monetary Authority of Singapore

Contents

1	Preface	3
2	Proposed revision to caps on personal e-wallets	4
3	Proposed WLA exemption	6

1 Preface

1.1 On 18 October 2022, MAS issued a consultation paper seeking comments on proposed amendments to limits currently imposed on each personal payment account that contains e-money (“e-wallet”) issued by Major Payment Institutions (“MPIs”), to:

- (a) Raise the maximum amount of funds that can be held at any given time (“stock cap”) in each e-wallet, from \$5,000 to \$20,000;
- (b) Raise the maximum total outflow over a rolling 12-month period (“flow cap”) from each e-wallet, from \$30,000 to \$100,000; and
- (c) Exempt MPIs in a white-label issuance arrangement¹ from section 24(1)(c) of the Payment Services Act (the “white-label account exemption” or “WLA exemption”). Under the WLA exemption, an MPI need not aggregate the e-money in e-wallets issued to the same payment service user (“user”), where the e-wallets are issued on behalf of, and store e-money issued by different e-money issuance service providers (“e-money issuers”).

1.2 The consultation period closed on 25 November 2022, and MAS would like to thank all respondents for their contributions. The list of respondents is in Annex A.

1.3 MAS has considered carefully the feedback received and has incorporated them where appropriate. Comments that are of wider interest, together with MAS’ responses are set out below. In addition, MAS wishes to clarify that the proposed amendments are specific to the e-wallet caps and do not override or replace any other current requirements imposed on MPIs that issue e-wallets, including rules relating to Anti-Money Laundering and Combatting the Financing of Terrorism (“AML/CFT”) and user protection/safeguarding. MPIs must continue to ensure that appropriate controls are in place to comply with these requirements.

1.4 Considering the feedback received, MAS will proceed to effect the amended proposals, which are intended to be implemented by 2H 2023.

¹ A white-label issuance arrangement comprises:

- (a) MPI issuing e-wallets on behalf of one or more e-money issuers; and
- (b) the e-wallets storing e-money issued by the e-money issuers to their payment service users.

2 Proposed revision to caps on personal e-wallets

2.1 In the consultation paper, MAS proposed to raise the stock cap to \$20,000, and the flow cap to \$100,000.

2.2 MAS notes that majority of the respondents were supportive of the proposals and some respondents sought clarifications on MAS' policy considerations.

Rationale for the higher caps

2.3 A few respondents asked if the existing caps were already sufficient to meet the needs of majority of users. They also noted that the benefits from the proposed caps may outweigh the additional scams and fraud risks that could arise.

MAS' Response

2.4 As part of the review, MAS surveyed MPIs and reviewed consumer feedback we had received since the introduction of the caps. We have also considered individuals' monthly spending based on the latest Household Expenditure Survey and other relevant data. The review found that there was demand for higher caps, which would facilitate greater customer convenience and innovation in the e-payments landscape. Common examples cited for higher caps include payment needs for overseas remittances and travel spending.

2.5 MAS expects payment service providers to put in place robust anti-scam controls commensurate with their respective business risks, in particular controls to address risks arising from the implementation of the revised caps. Where payment service providers intend to process higher value transactions to take advantage of the revised caps, their anti-scam controls must be more comprehensive, for example, by having measures to render timely assistance to the Police whenever necessary. MAS is working with the industry on the specifics of these controls and aims to finalise these in the next few months.

Caps to be determined by individual MPIs that issue e-wallets

2.6 Several respondents suggested that MAS allow e-wallet issuers to either (i) benefit from higher caps where their risk control measures (e.g. anti-scams measures) are assessed to be more robust; or (ii) set their own caps in relation to their risk appetite/risk management

framework, and/or be able to “adjust” the caps for each user depending on user sophistication or preference.

MAS’ Response

2.7 In calibrating the proposed caps, MAS took a holistic view of the e-payments landscape. The caps are the maximum amount of funds that can be held at any given time and the maximum total outflow over a rolling 12-month period. MAS has assessed that the proposed revised caps, which are substantial increases from current levels, will be sufficient in meeting the diverse needs of consumers without compromising on financial stability. We will continue to monitor how the industry and consumer needs evolve, and consider further changes to the caps in future, as necessary.

2.8 To avoid doubt, e-wallet providers continue to have the flexibility to set caps below the maximum stock cap of \$20,000 and flow cap of \$100,000.

Foreign-denominated currencies held in e-wallets

2.9 A respondent suggested that MAS exempts the need for foreign-denominated currencies held in e-wallets to be counted towards the caps, as foreign funds may not significantly represent outflows from local bank deposits.

MAS’ Response

2.10 All currencies will continue to count towards the caps. MAS took into account that the caps are already calibrated to be sufficient to accommodate both domestic and foreign currency spending, including remittance and expenditure-related transactions. Funds that are transferred from e-wallets into the user’s own overseas bank account will continue to be excluded from the caps. Further excluding all foreign currencies from the caps would pose risk of policy circumvention, as users may opt to transact with foreign currencies even where there is no need to do so. MAS will continue to review the caps if there are future use cases that should be accommodated.

3 Proposed WLA exemption

3.1 In the consultation paper, MAS proposed to provide a WLA exemption, by amending the Payment Services Regulation 2019 to exempt an MPI in a white-label account issuance arrangement from section 24(1)(c) of the PS Act². This means that the MPI will not be required to aggregate the e-money in e-wallets issued to the same user under the white-label account issuance arrangement, for the purposes of applying the stock cap and flow cap.

3.2 MAS notes that majority of the respondents are supportive of the proposals and some respondents sought clarifications on the scope of the proposed exemption.

MAS' Response

3.3 MAS remains supportive of the WLA exemption for genuine use cases. However, MAS notes that there is a diversity of potential white-label account issuance arrangements, and a class exemption from section 24(1)(c) of the PS Act may not address all these arrangements. As such, MPIs that wish to be exempted from section 24(1)(c) of the PS Act should apply to MAS for the exemption. MAS will review such applications on a case-by-case basis. In considering whether to grant the exemption to an MPI under section 100(4) of the PS Act³, MAS will take into account considerations which include but are not limited to the following:

- (a) the structure of the white-label account issuance arrangement including whether there are operational safeguards in place to keep the e-moneys in the same or across different e-wallets distinct. The e-moneys held in each e-wallet are to be distinct from one another and used in separate business ecosystems (e.g. distinct online platforms). For avoidance of doubt, if an MPI issues 2 or more e-wallets to a user, where the e-wallets hold the same type of e-money, the MPI should aggregate the e-money across these e-wallets for the purposes of applying the caps; and
- (b) whether the MPI has clearly disclosed or will clearly disclose the respective responsibilities of the MPI vis-à-vis the e-money issuer(s) to users, and has in place the relevant controls to track each user's holdings and spending of each type of e-money held in e-wallets issued by the MPI against the caps.

² Under section 24(1)(c) of the PS Act, an MPI that issues 2 or more e-wallets to any payment service user must aggregate all the e-money in the e-wallets issued to that payment service user and apply the stock cap and flow cap.

³ Under section 100(4) of the PS Act, MAS may, if it considers it appropriate to do so in the circumstances of the case, on the application of any person, exempt the person from (a) all or any of the provisions of the Act; or (b) all or any of the requirements imposed by the MAS under the Act.

MONETARY AUTHORITY OF SINGAPORE

7 July 2023

Annex A

**LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON
PROPOSED AMENDMENTS TO RESTRICTIONS ON PERSONAL PAYMENT ACCOUNTS
THAT CONTAIN E-MONEY**

1. Alfonso Ooi Kong Cher
2. Benjamin Wee
3. Bigpay Singapore Pte Ltd, who requested for their comments to be kept confidential
4. Chen Choong Seng
5. Network for Electronic Transfer
6. SingCash
7. Revolut Technologies Singapore Pte Ltd, who requested for their comments to be kept confidential
8. Wirex Pte Ltd
9. Wise Asia Pacific Pte Ltd, who requested for their comments to be kept confidential
10. Wise FX Pte Ltd
11. Wong Wen Leong
12. Xfers Pte Ltd
13. 5 respondents requested for confidentiality of their identity
14. 12 respondents requested for confidentiality of their identity and submission

Please refer to Annex B for the submissions.

Annex B

**SUBMISSION FROM RESPONDENTS TO THE CONSULTATION ON
PROPOSED AMENDMENTS TO RESTIRCTIONS ON PERSONAL PAYMENT ACCOUNTS
THAT CONTAIN E-MONEY**

S/N	Respondent	Responses from Respondent
1	Alfonso Ooi Kong Cher	<p><u>Question 1</u></p> <p>With inflation and increase in spending power, MAS should allow educated users to have a higher capacity. This will continue to protect the uneducated but assist the educate to use higher limits.</p>
2	Benjamin Wee	<p><u>Question 1</u></p> <p>In today climate and with rising inflation, things are more expensive. Expanding this spending limit would be the logical thing to do to keep in pace with the every changing rapid spending cost.</p>
3	Chen Choong Seng	<p><u>Question 1</u></p> <p>As more and more payments are done via e-wallet, the cap is insufficient.</p>
4	Network for Electronic Transfer	<p><u>Question 2</u></p> <p>We are supportive of the proposed exemption of ‘white-label’ e-wallet account issuance.</p>
5	SingCash	<p><u>Question 1</u></p> <ul style="list-style-type: none"> • We support the proposals. • Our review of the payment services market and our customer base has shown the demand for payment services has grown across all economic segments, including the higher income segment. Therefore setting the e-wallet at a higher stock cap is reasonable and will provide a better experience to these customers. • Income levels have generally grown across all economic segments; there is a growing number of customers hitting the

		<p>flow cap of S\$30,000 and their payment experience is being disrupted by the current flow cap.</p> <ul style="list-style-type: none"> Raising the flow cap to S\$100,000 allows the payment institutions to more adequately serve these customers.
6	Wirex Pte Ltd	<p><u>Question 1</u></p> <p>Wirex views the proposal to increase the stock and flow caps favorably and is supportive of the proposed limits.</p> <p><u>Question 2</u></p> <p>Wirex has no comments or objections to this proposal.</p>
7	Wise FX Pte Ltd	<p><u>Question 1</u></p> <p>Although we have not yet launched the personal e-wallets functionality, we agree with the increase in the stock and flow caps, as this will promote a positive development in the personal e-wallet ecosystem.</p> <p><u>Question 2</u></p> <p>We agree with the white-label account exemption.</p> <p>However, the drafting seems somewhat unintuitive. May we suggest the below:</p> <p>(4A) A major payment institution is exempt from Section 24 (1)(c) of the Act in respect of all the personal payment accounts that the major payment institution issues to a payment service user, where the major payment institution has provided accounts to two or more e-money issuers, in which case each account to each e-money issuer will be subject to separate caps.</p>
8	Wong Wen Leong	<p><u>Question 1</u></p> <p>\$100,000 for e-wallet is prefunded so the user already has that cash flow to utilise the benefits the e-wallet app is providing. It is unlike a credit card whereby the user is borrowing money they don't have. I like to increase the limit for using a debit card to fund for monthly</p>

		expenses and due to inflation, I used to have sufficient allowance with \$30,000. Now it is simply not enough since everything costs more.
9	Xfers Pte Ltd	<p><u>Question 1</u></p> <p>Xfers is supportive of the proposal to increase the e-wallet stock and flow caps. We are grateful that MAS has proposed measures that are in line with Xfers' previous responses to MAS's Consultation Papers reviewing the Payment Services Regulations. The proposed changes would streamline our workflows, as pain points such as the seeking of particular exemptions for some fund flows, can be avoided under the more liberal caps.</p> <p><u>Question 2</u></p> <p>Xfers is supportive of the proposed white-label account exemption. In particular, we are grateful that the proposed amendment takes a flexible approach to regulation: Major Payment Institutions (MPIs) like Xfers can continue to work with other MPIs, Standard Payment Institutions, and exempted entities to provide consumers with a diverse array of e-money offerings. Implementing an exemption for MPIs allows MAS to retain the appropriate level of regulatory scrutiny while allowing consumers to have access to more e-money options.</p>
10	Respondent A	<p><u>Question 1</u></p> <p>Based on the scam cases observed, we do not have the impression that the e-wallet issuers like Grab and EZ link etc. have robust anti-scam controls. In fact, they rely heavily on card issuers to control the fraud rules to mitigate such risk. With the proposed increase of the limit, we may see more scam cases directing towards the e-wallet issuers. Given the CDD standards of non-bank e-wallet issuers are not at the level of large local or international banks, and in view of the technological risks and incidences of fraud, a lower cap, for example SGD 10k (stock) and SGD 60k (flow), would appear sufficient to balance consumer protection and convenience of use.</p>
11	Respondent B	<u>Question 1</u>

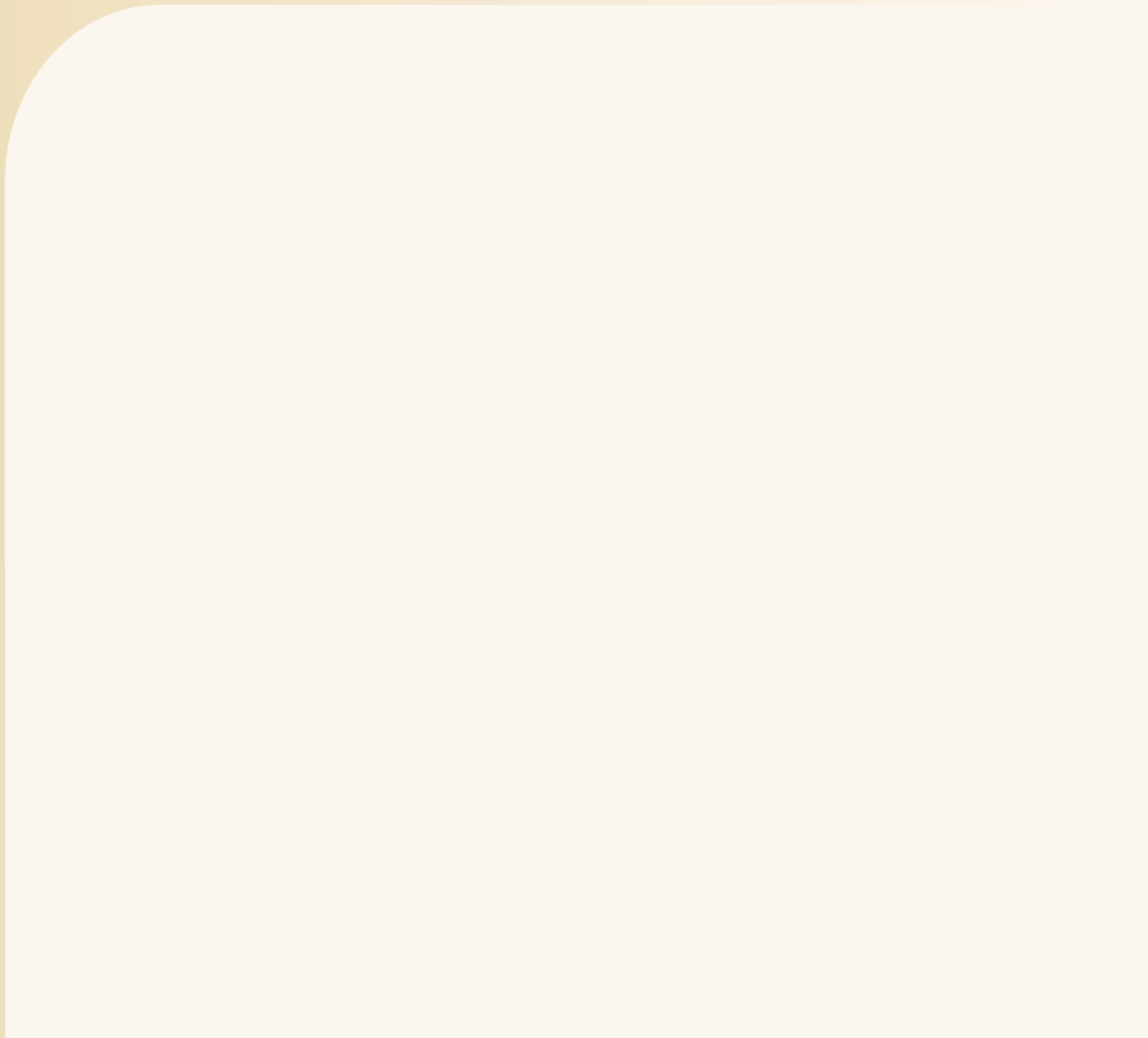
		<p>I am replying as a consumer, and will not be able to provide hard data, but can provide logical consumer behavior and thought processes to substantiate the point.</p> <p>I am glad that MAS is raising the caps for e-money wallet providers ("e-wallets"). I note that the concern that MAS is trying to address is the migration of bank deposits to e-wallets. However, such fears could be unfounded based on the pragmatic nature of Singaporeans and the reward mechanisms of such deposits / e-wallets.</p> <p>Firstly, e-wallets do not pay interest (as of the date of the consultation paper). It does not make logical sense for consumers to park significant sums of money in e-wallets over long periods, because of the lack of interest. Thus, the market mechanisms of interest will already ensure that consumers are incentivized to put their deposits with banks to earn interest, and to retain a minimal sum in the e-wallets. Additionally, since some e-wallets allow transferring of balances to deposit accounts, any leftover sum (after spending) would be transferred back to the deposit account, where allowed.</p> <p>Secondly, given the ease of transferring money, consumers would only transfer the money to the e-wallet right before a big purchase. Similar to the above point, it makes no logical sense to carry a huge float in the e-wallet if we can transfer the exact amount immediately before spending it. Thus, the higher stock cap will help to facilitate such transactions since we would not be constrained by an arbitrary limit for transactions that we would be spending anyway.</p> <p>Thirdly, the flow cap increase is welcome because Singaporeans are generally overbanked, and the reward mechanisms for payment will incentivize the consumer to use the payment method that rewards them the most. For example, if a consumer has access to credit, he/she would rather spend on a credit card to get cashback / miles. On the next tier would be the debit cards or e-wallets depending on the level of rewards they offer, and the absolute last resort is paying in cash. This is because cash does not give the consumer any rewards.</p> <p>For the segment of the population that only has access to e-wallets (i.e. no credit), this move is welcome since they then have more</p>
--	--	--

		<p>options to pay (cash, e-wallet, or debit), and they will not be inconvenienced with the cap (if their spending hits the cap).</p> <p>Fourthly, there is a point to note about convenience. Just like how consumers may choose to carry a nominal sum of cash around for convenience, they could also choose to carry a nominal balance in the e-wallet for convenience, particularly if travelling overseas. So, the higher caps will help these consumers, particularly those travelling, should they need to purchase big-ticket items and want to use the e-wallet as a protective measure (e.g. to reduce card skimming risk from their main accounts / cards) instead of using their main credit cards.</p> <p>Fifthly, to address the scam issue, it is true that scammers will use all means to try to scam people. While the higher caps do carry a risk of increased scams if the scam typology uses e-wallets, this is something that is a BAU risk because scammers can always use multiple e-wallets instead of just a single e-wallet. Thus, this point can be addressed in the other consultation paper that is in progress (the equitable loss sharing framework for scam victims and ecosystem players).</p> <p>Lastly, the end-to-end payment ecosystem would still function without any arbitrary caps. This is because the majority of payments still go through a payment processor (e.g. Visa / MasterCard / NETS), and the merchant receiving it would not want to keep the balance in the e-wallet, since they would need access to the cash to pay expenses (e.g. salary, cost of goods, etc.). Hence, MAS' concern about significant outflows from bank deposits may not materialize since the end merchant will then re-circulate the revenue received from the e-wallets back into the banking system. This is no different from a credit card transaction, where the money moves from the retail deposit account to the merchant's deposit account. The e-wallets just act as a temporary bridge, but the money will find its way back into the banking book, hence, reducing the risk of a significant outflow from retail bank deposits.</p> <p>Thus, the ideal end-state would be to have no caps at all, but I do understand that having some form of caps are still necessary from the risk angle (e.g. just like credit limits or payment transfer limits), so this is a welcome move as it would increase the convenience of e-wallet payments and encourage more people to use them. But,</p>
--	--	--

		<p>the main driver of the usage would not be higher caps per se, but instead, the market incentives (as pointed out in my first point) since consumers in Singapore have many ways to pay.</p> <p>MAS should not be so worried unless the e-wallets start to give more rewards for payment and/or some form of interest – but given the market sentiment today and the “path to profitability” of such e-wallet players, it is unlikely that they will provide benefits that will be able to compete with the traditional bank offerings. I would love to be proven wrong on this (as it will benefit me as a consumer), but until that day arrives, a higher stock and flow cap will only benefit everyone without increasing the risk of consumer deposit outflows.</p>
12	Respondent C	<p><u>Question 1</u></p> <p>Yes this is tremendously crucial for end consumer benefit. Most e-wallets offer attractive discounts, cashbacks, that are beneficial to the consumer, the current flow cap 30k limit is insufficient and preventive to maximize such consumer benefits. Currently I am about to reach the flow cap of 30k limit, and I have to apply an e-wallet under my NOK name to maximize these consumer benefits.</p> <p>It makes sense to increase the limit with regards to stock cap. With the cost of living increasing, consumer appliances such as fridges, TV sets, computers, can easily reach the existing stock cap of 5k. Again, this prevents consumers from benefitting from e-wallets benefits. But ultimately, e-wallets not only provide consumers with benefits such as rebates, e-wallets do allow for numerous conveniences in sending monies (e.g. e-red packets), etc.</p> <p>As long as the consumer understands that e-wallets are not extensions of credit, I opine that e-wallets are simply dormant digital version of the physical leather wallet with physical cash. (i.e. I can’t suddenly create physical money from within my physical wallet, likewise my digital wallet cannot grow cash by itself). In pace with technology, it makes total sense to increase both stock cap and flow cap.</p> <p>Lastly, such e-wallets, if it allows overseas spending, will be fantastic. While I guess that there could be money laundering concerns, perhaps overseas transactions exceeding 5k is to be reported as record to MAS? I am thinking along the lines that if I exchange money from a money changer that exceeds 5k value, I</p>

		<p>understand that one must register their NRIC. So perhaps such method is introduced to prevent money laundering? If not, I do not see why should overseas transactions be not allowed for e-wallets as well. Thank you!</p>
13	Respondent D	<p><u>Question 1</u></p> <p>Strongly support the increase. Have regularly hit the yearly cap of 30k every year since PSA was enforced and had to face payment inconveniences when payments fail near the end of the year due to this cap. There is no reason why entities that have a license under the PSA have to have their e wallet products neutered with the old arbitrary limit, considering that we are no longer in a transition phase for licensing. On the other hand, perhaps a higher stock cap than the proposed 20k should be considered to facilitate bigger ticket item purchases, although I would suggest having the end user pass a suitability assessment for this higher cap to help shield less sophisticated users from the effects of scams.</p>
14	Respondent E	<p><u>Question 1</u></p> <p>With the proposed increases in the e-wallet stock cap and flow cap, the Participant requests clarity on whether there are any intended changes to the E-payments User Protection Guidelines.</p> <p><u>Question 2</u></p> <p>The Participant seeks clarity on the scope of the proposed “white label account issuance arrangement”. The Participant understands that MAS’ proposal is to amend the Payment Services Regulation 2019 (“PSR”) to exempt an MPI in a “white-label account issuance arrangement” from section 24(1)(c) of the PS Act. The Participant seeks to clarify if the “white-label account issuance arrangement” contemplates a situation where:</p> <ul style="list-style-type: none"> the account issuance service provider (“Party A”) and the e-money issuance service provider (“Party B”), enter into a tripartite agreement with the end customers, with Party A being contractually bound to provide account issuance services to the end customers and Party B (separately) being contractually bound to provide e-money issuance services to the end customers (“Scenario A”); or

		<ul style="list-style-type: none">• one party provides both account issuance services and e-money issuance services (“Party C”) to the end customers, with Party C then relying on another party to provide back-end account issuance services (“Party D”) to support the payment services provided by Party C. Party D has no contractual relationship with the end customers and is contractually bound to provide account issuance services to Party C only (“Scenario B”). <p>In Scenario A, separate payment services are to be provided by each of Party A and Party B to the end customers while in Scenario B, one party (Party C) provides both payment services to the end customer while the other party (Party D) only provides account issuance services to Party C and has no contractual relationship with the end customer. The Participant believes that this “white-label account issuance arrangement” should only apply to Scenario A, as in the case of Scenario B, it is Party C that actually has a contractual relationship with the end user. Party D has no contractual relationship with the end customer and only provides account issuance services (to which the caps are linked to) to party C. Given that a “personal payment account” as defined under the PS Act is meant to be a payment account “that is used as a means of executing payment transactions other than in the course of business” and the caps apply to e-money contained in or transferred from a “personal payment account issued by the major payment institution to a payment service user”, it seems that Party D does not in fact issue a personal payment account to its customer (Party C, a business). The account that is issued by Party D to Party C is for business. It is the account that is issued by Party C to the end customers which is potentially not for a business (i.e. a personal payment account). Following on from this, Party D should not be subject to the caps. The “personal payment account” is actually provided by Party C to the end customers and Party C should be subject to the caps. We would be grateful for clarity on this point. In summary, it is not clear what the scope of the “white-label account issuance arrangement” is meant to be and the Participant seeks clarification on this.</p>
--	--	---



Monetary Authority of Singapore