

RESPONSE TO FEEDBACK RECEIVED

November 2015

Response to Feedback - Proposed Amendments to MAS Notice PSOA- N02 on Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Stored Value Facilities



Monetary Authority of Singapore

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1 Preface

1.1 On 20 October 2015, the Monetary Authority of Singapore (“MAS”) issued a consultation paper on the proposed amendments to MAS Notice PSOA-N02 on Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Stored Value Facilities (“SVFs”) (“PSOA-N02”) (“the Notice”). The proposed amendments sought to enhance MAS’ surveillance of the SVF landscape, and to better address money-laundering/terrorist financing (“ML/TF”) risks posed by SVFs.

1.2 Specifically, it was proposed that all SVF holders, as defined under the Payment Systems (Oversight) Act (Cap. 222A), be required to notify MAS prior to commencing or making changes to their operations. Except for pre-defined classes of SVFs which pose low ML/TF risks, all other SVF holders (“relevant SVF holders”) will also be required to comply with the Notice. MAS also proposed to introduce customer due diligence (“CDD”) requirements for relevant SVF holders for which occasional transactions are possible.

1.3 MAS has considered carefully the feedback received, and would like to thank all respondents for their contributions. The list of respondents is in Annex A and full submissions with the name of respondents can be found in Annex B. Comments that are of wider interest, together with MAS’ responses are set out in this response document.

2 Applicability of the Notice

Level Playing Field

2.1 A few respondents sought clarification on the applicability of the Notice to licensed banks which were also required to comply with similar Anti-Money Laundering and Countering of Financing for Terrorism (“AML/CFT”) regulations under MAS Notice 626 on Prevention of Money Laundering and Countering the Financing of Terrorism – Banks (“MAS Notice 626”). In addition, a respondent highlighted that, if bank-offered SVFs fell outside the scope of “relevant stored value facility” (“non-relevant SVF”), as defined in the Notice, the current arrangement may result in an unlevel playing field because the banks would still be required to comply with AML/CFT requirements in MAS Notice 626, which does not apply to non-banks.

MAS’ Response

2.2 The proposed amendments to the Notice are intended to clarify MAS’ AML/CFT requirements applicable to all SVF holders, regardless of whether they are regulated under any other legislation. Any un-level playing field between SVF holders who are banks versus those who are non-banks is not intended. MAS notes the concern raised in this regard and welcomes affected banks to engage us further on this matter.

Competitiveness

2.3 A few respondents highlighted competitiveness issues due to increased compliance costs. A respondent also commented that it would seem difficult for internet-based SVFs based in Singapore to qualify as a non-relevant SVF and the consequential AML/CFT requirements would reduce the competitiveness of these players on a global landscape.

MAS’ Response

2.4 Singapore is committed to implementing a robust regulatory and supervisory regime in line with the Financial Action Task Force (“FATF”) Standards (2012) and international best practices. Globally, many countries, including major financial centres such as Hong Kong, Japan and the United States adopt a similar approach and impose corresponding AML/CFT requirements. As such, global competitiveness issues should not be significant as the requirements apply across countries. We will continue to engage the industry to understand the landscape and take a calibrated approach to AML/CFT regulations.

Applicability to Prepaid Mobile Services

2.5 A few respondents provided feedback that prepaid mobile service providers in Singapore are already licensed and regulated by Infocomm Development Authority (“IDA”). Pursuant to such regulation by IDA, prepaid mobile service providers were already required to collect customer identification information for their prepaid mobile services. In addition, the respondents noted that prepaid mobile products posed low ML/TF risks as they do not allow for cash withdrawals or refunds, and the SVF balances can only be used for mobile services. As such, they requested for prepaid mobile services to be exempted from the Notice.

MAS’ Response

2.6 MAS intends for the notification requirements set out under paragraphs 2A.1 to 2A.3 of the Notice to apply to all holders of SVFs in Singapore. However, other obligations under the Notice would not be applicable to products that satisfy certain conditions that point to the low ML/TF risk posed by such products. Holders of SVFs may wish to seek independent legal advice on the AML/CFT requirements that are applicable to their respective SVF product(s) under the Notice.

Transition Period

2.6 A respondent requested for a transition period before the proposed amendments to the Notice comes into effect.

MAS’ Response

2.10 MAS has taken the request into consideration. The amended Notice will come into effect on 30 November 2015.

3 Definition of Relevant SVF

Clarifications on Definitions and Conditions

3.1 Several respondents asked for clarification on the definition of “relevant stored value facility”. MAS provides the corresponding answers below:

- a) Question: The definition of SVF in the Payment Systems (Oversight) Act (Cap. 222A) (“PSOA”) seems to exclusively refer to a facility that is used as a means to make payments for goods and services while the definition of relevant SVF also makes reference to SVFs that can be used to withdraw cash.

Answer: The definition of SVF in the PSOA does not preclude the use of the SVF for the purpose of activities other than payment for goods and services, such as cash withdrawal or person to person transfer.

- b) Question: Whether the definition of SVF includes SVFs which are only allowed to be utilised for a single-purpose transaction.

Answer: As stated in the definition section of the Notice, SVF has the same meaning as defined in section 2(1) of the PSOA. This includes all SVFs and does not differentiate between single or multi-purpose SVFs.

MAS’ Response

3.2 MAS will provide more detailed guidance in relation to the above in the next amendment to the Guidelines to MAS Notice PSOA-N02 Notice on Prevention of Money Laundering and Countering the Financing of Terrorism - Holders of Stored Value Facilities (“Guidelines”).

4 Conditions for Relevant SVFs

Clarifications and Proposed Changes to Conditions

4.1 Several respondents requested clarifications on the conditions for relevant SVFs. MAS provides the corresponding answers below:

- a) Question: Whether a cash withdrawal from a SVF into a designated bank account meets the requirement of an identifiable funding source and whether this would be considered as a form of cash withdrawal from the SVF.

Answer: Withdrawals into designated bank accounts are not considered as a form of cash withdrawal from the SVF. The concept of identifiable funding source relates to the funding of the SVF and not cash withdrawal. Identifiable sources have been defined in the proposed Notice.

- b) Question: Whether there is a requirement to provide identification for the transfer of remaining balance, from a SVF to a designated bank account, upon termination of the SVF.

Answer: There is no requirement to produce the customer's identification if the remaining balance of the stored value is transferred to a bank account.

- c) Question: Whether the location of the user's device when transacting via a SVF issued by a Singapore registered SVF holder is considered in the definition of a cross-border transaction.

Answer: The cross-border nature of SVF transactions is dependent on the location of the funds, and not the location of the user's device when transacting via a SVF.

- d) Question: Whether a low threshold can be set for condition (c) in the definition of a relevant SVF, to cater for cases of low value cash refunds from a SVF without the need for identity verification and record.

Answer: MAS agrees that it is necessary to strike a balance between addressing ML/TF risks and minimising undue inconveniences to consumers. MAS will set a S\$80.00 threshold below which no customer identification is required upon a cash refund.

- e) Question: Whether cash withdrawal is an acceptable feature for a non-relevant SVF if identity verification is conducted and recorded at the point of cash withdrawal.

Answer: Consistent with the FATF AML/CFT guidance, MAS considers cash withdrawal a high risk product feature. We will therefore retain the condition relating to cash withdrawals under the proposed amendment.

5 Notification of SVFs

Clarifications on Terms Used in Notification Forms

5.1 A respondent requested clarification on the following with respect to the notification forms in the proposed Notice:

- a) The meaning of "assumed or shared with any other company(ies)" under paragraph 2 in Form A;
- b) Whether MAS would consider including the words "proposed commencement of operation" under paragraph 3 in Form A; and
- c) Whether "transaction across national borders" under paragraph 6 in Form A, includes overseas e-commerce payment transactions.

MAS' Response

5.2 MAS accepts the feedback and has made changes to Form A to provide greater clarity.

Notification Timelines

5.3 A few respondents expressed views that the notification requirements were too onerous in terms of the 30 days lead time to notify MAS prior to the commencement of new SVFs or changes to existing SVFs. In particular, they felt that this would not allow them to react quickly to market changes. A respondent also proposed to change the deadline to submit annual statistical updates to MAS from 31 January 2015 to 31 March 2015, due to manpower constraints of SVF holders in the months of January and February.

MAS' Response

5.4 MAS will, in consideration of these operational concerns, shorten the notification lead time to 10 business days. MAS will also amend the deadline to submit annual statistical updates to MAS from 31 January to 31 March.

6 Occasional Transactions

Clarifications on Definitions

6.1 A respondent sought clarification on the type of transactions that would be considered occasional and the definition of transactions.

MAS' Response

6.2 An occasional transaction is a transaction that is carried out without the establishment of business relations i.e. the opening or maintenance of an account by the relevant holder in the name of a person (whether a natural person, legal person, or legal arrangement). For the purposes of the Notice, transactions refer to any activity in relation to the SVF. MAS will provide more guidance in the next amendment to the Guidelines.

MONETARY AUTHORITY OF SINGAPORE

17 November 2015

Annex A

LIST OF RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED AMENDMENTS TO MAS NOTICE PSOA-N02 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM – HOLDERS OF STORED VALUE FACILITIES

1. Copernicus Gold
2. DBS Bank Ltd
3. EZ-Link Pte Ltd
4. Kopitiam Investments Pte Ltd
5. NTUC FairPrice Co-operative Ltd
6. Starhub Mobile Pte Ltd
7. United Overseas Bank Ltd
8. Respondent A who requested for confidentiality of identity
9. Respondent B who requested for confidentiality of identity
10. Respondent C who requested for confidentiality of identity
11. Respondent D who requested for confidentiality of identity

Annex B

FULL SUBMISSIONS FROM RESPONDENTS TO THE CONSULTATION PAPER ON PROPOSED AMENDMENTS TO MAS NOTICE PSOA-N02 ON PREVENTION OF MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM – HOLDERS OF STORED VALUE FACILITIES

S/N	Respondent	Full Responses from Respondent
1	Copernicus Gold	<p>Relevant stored value facility definition</p> <p>The definition is not clear on how many conditions should be met at the same time. It could be understood as all the conditions should be satisfied and as only one condition should be met. Adding word “or” at the end of conditions (a) - (c) would make it clear that only one of the conditions should be met.</p> <p>Otherwise, it would make Singapore-based online SVFs less competitive on a global micro-payments market as few, if any, would be able to satisfy the condition. Clause 6.1 forbids anonymous accounts for relevant holders. In case all of the conditions should be met to be excluded from being relevant holder, it would be detrimental to Singapore online SVFs as other jurisdictions allows such transactions.</p> <p>Another important consideration is clause (a) in the definition. AML/CFT are not to be required if SVF is not able to contain stored value of S\$1000 or more. It is not completely clear whether online payment systems working in SVFs legal framework are complying in case there are limitations for anonymous users while none for registered users.</p> <p>Clause 6.9 Verification of Identity of Customer</p> <p>As stated in this clause a relevant holder shall verify the identity of the customer using reliable, independent source data, documents or information. It does work well for local systems, but it doesn’t fit with global online SVFs.</p> <p>Expressly stating that customer could be identified and this identification is considered verified via identified source would make Singapore based SVFs more competitive, without much of the impact on control from MAS.</p> <p>Example: customer provided information on name, address and other points mentioned in 6.10 (a). It could be relatively easy to verify this information if customer is based in Singapore, however, it is quite difficult to check information from completely different country.</p> <p>Authorities in those countries are under no obligation to provide the information, in case it is provided, one would need to translate it.</p> <p>Moreover, local peculiarities are needed to be understood (what is the legal status of a certain document, position and so on in Sharia law in case</p>

S/N	Respondent	Full Responses from Respondent
		<p>customer is from UAE, in Russian law in Russia etc).</p> <p>This is a step that is difficult to make automated, although that is the direction all online systems are moving right now. It increases time needed to service a client, expenses and so on.</p> <p>Customer himself could provide forged documents as well, so one cannot rely on any number of scanned documents provided by a customer. Providing originals is unfeasible in global online system.</p> <p>As such we propose that in such condition a payment should be required from a customer bank card/account. Any payment in banking system is followed by information about payer. In relation to corporate entities it would also prove that particular person does indeed have authority in financial matters.</p>
2	DBS Bank Ltd	<p>1. General comments:</p> <p>DBS Bank Ltd (“DBS”) is pleased to submit its feedback to the consultation paper on MAS Notice PSOA-N02 (“Notice”) issued on 20 October 2015. We thank the Authority for giving us an opportunity to provide our feedback.</p> <p>Below are our comments for MAS’ consideration.</p> <p>2. Comments on the proposed amendments relating to “Applicability of the Notice”:</p> <p>DBS recognises MAS’ efforts to enhance the surveillance of stored value facilities (“SVF”) which may potentially be used to carry out money laundering and terrorist financing activities.</p> <p>DBS appreciates the policy intent behind the risk based approach that the Authority has adopted towards the anti-money laundering / countering the financing of terrorism (“AML/CFT”) requirements in the Notice.</p> <p>However, we would like to seek MAS’ clarification on the interaction of AML/CFT requirements for holders of a low money laundering/terrorist financing (“ML/TF”) risk SVF which will not be subjected to the AML/CFT requirements in the Notice. As a bank incorporated in Singapore, DBS is subjected to the MAS Notice 626 in relation to the prevention of AML/CFT (“MAS 626”). DBS is the holder of a SVF, DBS PayLah! (“PayLah”). Currently, PayLah is required to comply with MAS 626. If PayLah meets MAS’ criteria of a low MT/TF risk SVF, would PayLah therefore be exempt from MAS 626? If exemption from MAS 626 is not permitted, could MAS clarify the policy intention as there is concern that this may result in an unlevel playing field between SVF initiatives from banks and non-banks entities (e.g. fintechs)?</p> <p>3. Comments on the proposed amendments relating to “Definition of relevant SVF”:</p> <p>We would like to seek clarification for the following:</p> <p>(b) does not allow the withdrawal of any cash from the facility</p> <p>Cash withdrawal directly from DBS PayLah! is not allowed. However, a DBS PayLah! account user is allowed to withdraw cash from the facility via his</p>

S/N	Respondent	Full Responses from Respondent
		<p>designated bank account which is tagged to the facility. If the designated bank account meets the definition of an “identifiable funding source”, would this be considered as cash withdrawal from the facility?</p> <p>(c) does not allow for the refund of any stored value cash on termination of the use of the facility, except upon the production of the customer’s identification</p> <p>Upon termination of a DBS PayLah! account, a user can contact DBS Hotline or visit any DBS/POSB branch and instruct DBS to close the wallet account and transfer the remaining balance from the wallet to the designated bank account.</p> <p>The user does not need to provide identification if the instruction is given via DBS Hotline because the transfer from the wallet to the designated bank account is deemed as a 1st party transaction.</p> <p>However for transactions conducted at the branch, customer must produce NRIC for staff to perform customer authentication.</p> <p>Under such situations, would the Authority regard the above arrangement as permitting for the refund on termination without production of customer’s identification?</p> <p>(d) (i) does not allow any form of cross-border funds transfer or withdrawal</p> <p>A DBS PayLah! account can only be linked to a Singapore registered mobile number and funds transfers are limited to within bank accounts maintained by DBS and the FAST participating banks. If a fund transfer is made by a DBS PayLah! user in Singapore to a DBS PayLah! user who holds the mobile device outside of Singapore e.g. overseas travel or work, would such a transfer be considered as a cross-border transaction?</p> <p>4. Comments on the proposed amendments relating to “Notification of SVFs”:</p> <p>No comments.</p> <p>5. Comments on the proposed amendments relating to “Occasional transactions”:</p> <p>No comments.</p>
3	EZ-Link Pte Ltd	<p>1. General comments:</p> <p>No comments</p> <p>2. Comments on the proposed amendments relating to “Applicability of the Notice”:</p> <p>2.1 We seek clarification on the application of the amendments to existing relevant SVF schemes which may not be compliant to the proposed requirements. If relevant SVF holders are to ensure that its processes comply with the proposed requirements, will adequate time be given to</p>

S/N	Respondent	Full Responses from Respondent
		<p>implement system or procedural changes or changes with our contracts or terms and conditions vis-à-vis our cardholders?</p> <p>3. Comments on the proposed amendments relating to “Definition of relevant SVF”:</p> <p>3.1 Please clarify if relevant SVF includes those that are single purpose SVF? Eg. a merchant who issues a closed loop payment prepaid scheme for its own goods</p> <p>3.2 <i>Response for this part was not published as confidentiality was explicitly requested by the respondent.</i></p> <p>3.3 For cash withdrawal eg. say at 7-Eleven, would MAS consider exempting this if the customer is required to produce a photo ID for the cash withdrawal?</p> <p>3.4 We seek clarification on the requirement to proposed requirement to product photo ID for cash refund. What is meant by “production of the customer’s identification”? Does the frontline staff doing the refund need to perform a KYC, i.e. to perform a face-to-face verification that the photo ID matches the physical person, and also record down the customer’s personal details?</p> <p>3.5 <i>Response for this part was not published as confidentiality was explicitly requested by the respondent.</i></p> <p>3.6 <i>Response for this part was not published as confidentiality was explicitly requested by the respondent.</i></p> <p>3.7 Will the holder satisfy the standard under para 2.2.2(d)(i) to disallow cross-border funds withdrawal if the holder’s system blocks cash disbursement transaction codes?</p> <p>4. Comments on the proposed amendments relating to “Notification of SVFs”:</p> <p>4.1 Form A para 2 – please clarify what is meant by the SVF being “assumed or shared with any other company(ies)...”</p> <p>4.2 Form A para 3 – propose to include “proposed commencement of operation”</p> <p>4.3 Form A para 6 – does “transaction across national borders” include overseas e-commerce payment transactions?</p> <p>5. Comments on the proposed amendments relating to “Occasional transactions”:</p> <p>No comments</p>
4	Kopitiam Investment	On Page 3 Clause 2.2.2 (c), we wish to suggest putting the cash value as follow:

S/N	Respondent	Full Responses from Respondent
	Pte Ltd	<p>"does not allow for the refund of any stored value in cash above \$100 (or \$50) on termination of the use of the facility, except upon the production of the customer's identification"</p> <p>The stored value facility currently used to purchase goods and services in the F&B industries usually contain cash of small value. The refund back to customers are of small amount as well. By setting the limit at \$50/\$100 therefore will not inconvenience customers seeking refund of small value.</p>
5	NTUC FairPrice Co- operative Ltd	<p>1. General comments:</p> <p>We like to appeal to MAS that in enacting these new requirements to prevent money laundering and counter the financing of terrorism, to take into consideration the following:</p> <ol style="list-style-type: none"> 1. Ensure a level playing field for competition. The application and interpretation on tedious requirements (e.g., customer due diligence) should not be ambiguous, and should apply fairly to all players competing for the same customer base. 2. Cost of implementation. We hope MAS will understand that some retailers, especially organisations selling basic essentials, like FairPrice, operate with low and single digit profit margins. Any requirement that is onerous and disproportionate to the objective will have a knock-on effect on the costs of business, and put a strain on our service level and our relationship with the bona fide customers. 3. Simplify implementation. Unlike financial institutions, retail organisations like FairPrice, do not have many and cannot afford highly-educated staff in our frontline to enforce complicated and onerous requirements, such as customer due diligence. Simple rules that uses existing infrastructure, e.g., card payments, will simplify the buying process, and enable us to support new legislative requirements, in our environment of high volume transactions. <p>2. Comments on the proposed amendments relating to “Applicability of the Notice”:</p> <p>We have no objection that the coverage of the Notice is being broadened to include all SVF holders, as long as we have para 2.2.2 and similar conditions, to make it less onerous, less tedious and less costly for legitimate, bona fide sellers and buyers of SVFs.</p> <p>3. Comments on the proposed amendments relating to “Definition of relevant SVF”:</p> <p>To prevent ambiguity of whether any corporation or organisation is or is not a relevant SVF Holder, we propose that all existing and new SVF holders be registered with MAS, and be given a SVF Licence number. Once this is implemented, the same licence holder can apply to MAS to provide new forms of SVF under the same licence.</p> <p>The licence given to the organisation would formalise the relationship with</p>

S/N	Respondent	Full Responses from Respondent
		<p>MAS and facilitates the subsequent new and annual submissions of data required under “Notifications of SVFs”.</p> <p>4. Comments on the proposed amendments relating to “Notification of SVFs”:</p> <p>We have no objection to submitting the annual statistical updates to MAS, as per PSOAN02 Form B. However, we wish to request for a later deadline of 31 March, instead of 31 January, to submit the statistics of the preceding calendar year, due to 2 main reasons:</p> <p>a. January to February are the typical peak retail seasons (i.e. New Year & CNY) for supermarket trades. Even our backroom staff are called upon to work in the frontline to provide additional manpower support.</p> <p>b. Time and manpower effort are required for closing, posting, reconciliation and other documentation and payments for year-end closing (31 Dec each year for FairPrice), which affect the data accuracy to be submitted. Sufficient time should be allocated for data preparation and submission.</p> <p>5. Comments on the proposed amendments relating to “Occasional transactions”:</p> <p>If the condition of “Occasional Transactions” also apply to SVFs which met the conditions in para 2.2.2 (to be exempted from AML/CFT requirements in the Notice), then we propose the following additional conditions to be included. These proposals are primarily to ensure a fair and level playing field for competing organisations (SVF holders) for the same customer purchases of SVFs:</p> <p>a. If relevant holders have to conduct CDD when they undertake any transaction of a value exceeding S\$5,000 for any customer who has not otherwise established business relations, this requirement should be made mandatory and enforced to all retail players selling similar SVFs, e.g., gift vouchers sold by supermarkets, malls, bookshops, etc., as these are competing for the same customer base who purchase for friends, staff, contests, etc. That is to say, it should be a level playing field, so that the retailer who enforces the CDD strictly will not be placed at a disadvantage, in the view of a potential customer, when compared to other retailers selling a competing product, but yet do not conduct CDD (customer due diligence).</p> <p>b. Alternatively, MAS can mandate that any transaction of a value exceeding S\$5,000 for any customer who has not otherwise established business relations, should only be done through an established bank account through credit card, NETS, cheque, etc. from “identifiable source”. That is, no cash sale should be allowed for any transaction of a value exceeding S\$5,000 for any customer who has not otherwise established business relations, for all SVF holders.</p> <p>In addition, we propose that the cash limit for conducting CDD be raised to \$20,000, as the \$5,000 limit accounts for only 30% of our cash sales takings. Raising the limit to \$20,000 will increase the coverage to 83% of our cash sales takings. This will reduce the costs of implementation of CDD for a much smaller group of customers, and not impose CDD on the majority of</p>

S/N	Respondent	Full Responses from Respondent
		<p>customers who are likely to be legitimate, bona fide buyers.</p> <p>We believe the proposed higher cash limit of \$20,000 for our gift vouchers strikes a good balance of security, operational constraints and bona fide customer purchase experience factors. This is because FairPrice Gift voucher has the following restrictions in place, that makes it unattractive for money laundering:</p> <p>i. Our gift voucher is only valid is for a maximum of 2 years from the date of issue.</p> <p>ii. Use of the gift voucher is limited to purchases within Singapore-based FairPrice and Cheers outlets.</p>
6	StarHub Mobile Pte Ltd	<p>1. General comments:</p> <p>We are concerned that MAS' proposals would significantly increase the compliance costs incurred by holders of SVF. This increase in costs would not be commensurate with the intended benefits from MAS' proposals.</p> <p>In particular, we would emphasise that the providers of prepaid mobile services in Singapore (such as StarHub) already need to comply with stringent registration requirements put in place by the Infocomm Development Authority of Singapore ("IDA"). These requirements have been in place since 2005, and are part of Singapore's efforts to tighten security controls over the usage of prepaid mobile services.¹</p> <p>For example, StarHub² is required to:</p> <ul style="list-style-type: none"> • Use a prescribed electronic registration system to record prepaid mobile service customer details (such as their identity cards, the mobile numbers assigned to the customer and date of service activations); • Keep all call detail records of all calls made and received via the prepaid mobile service for a period of not less than 12 months; and • Maintain a register of all prepaid mobile service retailers, which shall be made available for inspection by authorised Singapore government agencies. <p>We would also highlight that we are not aware of any recorded instance of prepaid mobile services being used for money laundering purposes in Singapore. We believe that this can be attributed to the stringent registration requirements referred to above.</p> <p>We believe that there will be little additional benefit to subjecting such prepaid mobile services to further regulatory oversight from the MAS.</p> <p>Prior to the implementation of any changes, we would respectfully request a meeting with the MAS to discuss the mobile operators' concerns.</p> <p>1 http://www.nas.gov.sg/archivesonline/speeches/view-html?filename=20051021994.htm</p> <p>2 Please refer to Schedule D of the following document: https://www.ida.gov.sg/~media/Files/PCDG/Licensees/SpectrumMgmt/RightsIssued/SHMobile3G.pdf.</p>

S/N	Respondent	Full Responses from Respondent
		<p>2. Comments on the proposed amendments relating to “Applicability of the Notice”:</p> <p>Please refer to our comments below.</p> <p>3. Comments on the proposed amendments relating to “Definition of relevant SVF”:</p> <p>We are concerned that the revised definition of a “relevant SVF” is over-reaching, and potentially includes SVFs (such as prepaid mobile services SVFs) that have no practical risk of being used for money laundering or terrorist financing purposes.</p> <p>For example, if an SVF does not allow any cash refunds or cash withdrawals, that SVF cannot be used for money laundering or terrorist financing. Requiring SVF holders to comply with additional conditions in order to be exempted from the relevant AML / CTF obligations would be excessive and unnecessary.</p> <p>We strongly believe that it is necessary for MAS to carve out a specific exemption for SVFs that do not allow any cash refunds / withdrawals. This exemption would recognise the fact that these SVF can only be used for the purchase of goods and services, and that there is no potential for cash to be circulated. Such an exemption is supported by the fact that prepaid mobile services are already subject to: (a) sectoral regulation (with the IDA); and (b) stringent registration requirements.</p> <p>4. Comments on the proposed amendments relating to “Notification of SVFs”:</p> <p>We understand the need to provide MAS with information on SVF. However, we are concerned with the length of the 30 day lead-time as proposed.</p> <p>In particular, the prepaid mobile operators need to react very quickly to changes in the market, to ensure that they are able to offer competitive service offerings. In certain cases, the lead-time for introducing such changes may be significantly shorter than 30 days. Therefore, a 30 day advance notice to the MAS will significantly lower the mobile operators’ ability to react in a timely manner to market changes.³</p> <p>We therefore suggest that the 30 day lead-time should be removed, and that SVF holders simply be required to provide a notice prior to the introduction of any new SVF / significant change to existing SVF.</p> <p><small>3 For example, under the Notification requirements, if a SVF holder reduced the maximum reload amount from \$10 to \$9, MAS would apparently require 30 days notice of this. It is unclear why such a heavy-handed obligation is considered necessary.</small></p> <p>5. Comments on the proposed amendments relating to “Occasional transactions”:</p> <p>As MAS has correctly pointed out, today, SVFs cannot be used to conduct transactions without the establishment of business relations with the SVF holder.</p>

S/N	Respondent	Full Responses from Respondent
		<p>However, it is unclear to StarHub what kind of transactions would be covered under the proposed amendment. MAS may wish to give some examples to provide clarity on its requirements.</p> <p>Without such clarity, the industry will find it difficult to understand and comply with the revised requirements.</p>
7	United Overseas Bank Limited	<p>1. General comments:</p> <ul style="list-style-type: none"> Stored Value Facilities may be transferrable. Screening of such holders may be challenging. We would like further guidance from the MAS on screening for such stored value facilities. Banks who issue stored value facilities are already covered by the MAS 626. Can you please advise whether the proposed Notice and its requirements also apply to such Banks? <p>2. Comments on the proposed amendments relating to “Applicability of the Notice”:</p> <p>NA</p> <p>3. Comments on the proposed amendments relating to “Definition of relevant SVF”:</p> <p>The definition of “Stored Value Facility” in Payment Systems (Oversight) Act (CHAPTER 222A) seems to exclusively refer to a facility that is used to as a means to make payments for goods and services. However, the definition of “relevant stored value facility” also makes reference to stored value facilities that can be used to withdraw cash.</p> <p>We would appreciate if the MAS could provide more clarity to the definition.</p> <p>4. Comments on the proposed amendments relating to “Notification of SVFs”:</p> <p>NA</p> <p>5. Comments on the proposed amendments relating to “Occasional transactions”:</p> <p>NA</p>
8	Respondent A	<p>1. General Comments</p> <p>1.1 We note that the MAS has proposed amendments pertaining to:</p> <p>(a) Applicability of the PSOA No.2 to Stored Value Facilities (SVFs)</p> <p>(b) requiring that SVFs will not be subjected to AML/CFT requirements in the Notice if they meet certain conditions</p>

S/N	Respondent	Full Responses from Respondent
		<p>(c) imposing a notification framework on all SVFs; and</p> <p>(d) imposing CDD requirements on relevant holders for occasional transactions of more than S\$5,000.</p> <p>1.2 We provide the MAS with our comments in relation to:</p> <p>(a) the MAS should exclude prepayments for telecommunications services from the PSOA No.2;</p> <p>(b) the MAS should reduce or refine the conditions that a holder has to meet in order to meet the criteria as set-out in the definition of ‘relevant stored value facility’; and</p> <p>(c) the MAS should provide more clarity on what is meant by a transaction in its amendments pertaining to occasional transactions and limit these transactions to transfers of value or payments for goods and services.</p> <p>2. Comments on the Proposed Amendments relating to “Applicability of the Notice”: Prepayments for Telecommunication Services to be Removed</p> <p>2.1 The MAS intends to make amendments to the PSOA No.2 for the notice to apply to all SVF holders. In particular, Section 2(A) containing notification requirements would cover any holder of an SVF.</p> <p>Prepayments for Telecommunication Services should be Excluded</p> <p>2.2 The MAS appears to have covered single purpose SVFs for services that already fall under sectoral regulation, eg prepaid telecommunication services like IDD services, mobile services or payphone services that fall under the auspices of the info-communications Development Authority of Singapore (IDA).</p> <p>2.3 We believe that the MAS interest in covering SVFs is for the purpose of monitoring AML/CFT compliance. However, we note that any AML/CFT concerns that the MAS may have do not relate to, or are not relevant to, the prepayments for telecommunication services for the following reasons:</p> <p>(a) telecommunications service providers are separately licensed by the IDA;</p> <p>(b) telecommunications service providers today comply with strict requirements relating to quality, service resiliency, outage reporting, consumer standards etc. All telecommunications service providers are required to comply with the requirements set-out in the Telecom Competition Code including mandatory contractual requirements with their end-users; and</p> <p>(c) any prepayment is solely for the purpose of telecommunication services provided by the licensee; there is little AML/CFT risk involved.</p> <p>2.4 We also highlight that telecommunications service providers are generally already required to keep records of who their end-users are, including names, addresses, ID etc. these are strict requirements put in place by the IDA as part of the their licence conditions since 2005 as a means to tighten security requirements and controls, mitigation of terrorist threats. These requirements would already go some way to mitigate any concerns over money laundering.</p>

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		<p>2.5 We are therefore extremely concerned over the imposition of the PSOA No.2, in particular Section 2A and the notification requirements over the telecommunications service providers' services. For example, the 30-day lead time notification would hinder the telecommunication service providers' ability to react to dynamic changes in the market. The telecommunication service providers, for example, vary their offers weekly in order to ensure that their pricing and packaging can remain competitive. In some cases, the telecommunication service providers push out their new packages within a week and giving a 30-day advance notice is practically impossible under those conditions.</p> <p>2.6 We therefore request that the MAS waive the requirements in Section 2A for SVFs that relate to services already regulated by sectoral specific regulators like the IDA.</p> <p>2.8 Given that telecommunications prepayments are offered pursuant to licence terms and conditions, with accompanying pre-registration and retention of record requirements, we believe that it is also appropriate for the MAS to carve out telecommunication prepayments so that these SVFs do not need to comply with Sections 4 to 14 of the PSOA No.2; we do not believe that there are AML / CFT concerns in relation to these services</p> <p>2.9 We would welcome the opportunity to discuss this further with the MAS.</p> <p>Applicability of the Sections 4 to 14 of PSOA No.2 to only relevant SVFs</p> <p>2.10 Last, we seek confirmation that where an SVF is not a relevant SVF, the only requirements that will apply for such SVFs will be those outlined in Section 2A of the amended PSOA No.2.</p> <p>3. Comments on the Proposed Amendments relating to "Definition of relevant SVF"</p> <p><i>Response for this part was not published as confidentiality was explicitly requested by the respondent.</i></p> <p>4. Comments on the Proposed Amendments relating to "Notification of SVFs":</p> <p>4.1 Please see our response above in Paragraph 2.</p> <p>5. Comments on the Proposed Amendments relating to "Occasional transactions":</p> <p>5.1 The definition of 'transaction' is not clear from the amendments proposed in Sections 6.3, 6.30A, 6.31 and 6.39. To the extent that the MAS intends to make these amendments in relation to occasional transaction(s), we seek clarification as to whether the MAS will apply these amendments to one single transaction amounting to more than S\$5,000 regardless of the nature of the transaction, e.g.</p> <ul style="list-style-type: none"> - withdrawal of cash; - transferring of the value in the facility to another facility;

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		<ul style="list-style-type: none"> - refund of the stored value facility; - injecting funds into the stored value facility; - payment of goods and services; or - any other type of transaction. <p>5.2 We request that the MAS considers that the requirement be solely imposed only when the transaction relates to a transfer of value and /or the payment of goods of services and when a single transaction of these nature amounts to more than S\$5,000.</p> <p>6. Others</p> <p>6.1 The MAS has proposed to amend 6.2 on CDD procedures in relation to establishing business relations or undertaking any transaction without opening an account. As the definition of business relations in the PSOA No.2 already refers to “opening or maintenance of an account by the relevant holder in the name of a person...”, the use of the phrase ‘without opening an account’ is better replaced by ‘without establishing business relations’. We note that this would also be consistent with the proposed amendments in the rest of Section 6 of the PSOA No.2.</p>



Monetary Authority of Singapore