

# THE CHANGING PAYMENTS LANDSCAPE

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Dr Sandra Booyesen



**Centre for Banking & Finance Law**  
**Faculty of Law**

# Singapore: Global Financial Centre

- Recent rankings: top 3, behind London and New York; main rival – Hong Kong.
  - ‘pro-business environment, excellent infrastructure, cost-competitiveness, a highly skilled and cosmopolitan labour force’ ([www.mas.gov.sg](http://www.mas.gov.sg))
- Monetary Authority of Singapore (MAS): central bank and financial regulator
- Range of financial intermediaries, including: banks, capital markets, insurance, wealth management, trust companies.
- Large banking sector: over 200 banks with a presence - different banking licenses depending on banking activities.
- Mindful of international recommendations eg Basel Committee, Financial Stability Board – post GFC have seen more measures eg on:
  - Capital adequacy, bank resolution, shadow banking, AML/CFT, deposit insurance

# Singapore Legal system

- British colonial heritage: common law legal system.
  - Flexible, adaptable, cautious.
  - Developments tend to be slow, patchy and conservative.
- Common law supplemented by legislation, available at:  
<http://statutes.agc.gov.sg/aol/home.w3p>

# Smart Nation Vision

- Pervasive use of Fintech to enhance Singapore as a financial centre.
- Inaugural FinTech Festival in Singapore – Nov 2016
  - ‘fostering a culture of innovation’ (Mr Ravi Menon, MD, MAS, 16 Nov 2016)
- FinTech Agreements, eg: UK – May 2016, Denmark – June 2017, Thailand – July 2017
- FinTech approach/projects, inter alia:
  - Central bank digital currency.
  - Regulatory sandbox.
  - Open financial APIs.
  - National Know Your Customer facility.
  - Digital financial advice/insurance.
  - Cyber security/secure cloud computing.

# MAS Regulatory Sandbox

- Regulatory sandbox allows experimentation with technology in controlled conditions by relaxing some regulatory requirements.
  - Relaxations will be risk-assessed.
  - Rules that cannot be relaxed: privacy of customer information, 'fit and proper' criteria for key personnel, AML and CTF measures
  - Rules that can be relaxed: reputation and track record, paid-up capital and capital adequacy, minimum liquid assets, board composition, licence fees, compliance with MAS Guidelines eg on technology risk and outsourcing
- Existing applications include projects involving distributed ledger technologies and big data analytics.

# Payment methods in Singapore

- Cash - cash in circulation 8.8% of GDP
- Cheques
  - Clearing by transmission of image – truncation, see Bills of Exchange (Cheque Truncation) Regulations 2002.
- Cards: credit/charge; debit; stored value
- Funds transfer (giro)
- KPMG Report, August 2016: over-reliance on cash and cheques.
  - Social costs of cash and cheques - around 0.5% GDP/S\$2 billion per year.

# Singapore Payments Vision

- The ‘future is digital and mobile’ (Mr Ravi Menon, MD, MAS, 16 Nov 2016)
  - ‘streamlined regulation;
  - inclusive governance;
  - interoperable infrastructure; and
  - pervasive digitisation.’
- Reduce reliance on cheques.
- Promote use of online and mobile payments.
- Develop unified point-of-sale payment terminals, centralised addressing system.
- Encourage new and innovative payment mechanisms from non-traditional providers.

# Government proposals

- Streamline regulation – activity (rather than status) based framework.
  - address: ‘consumer protection, access, corporate governance, and other emerging risks such as cyber security, interoperability, technology, and money-laundering and terrorism financing’.
- Governance – new Payments Association: ‘foster innovation, competition and collaboration in the payments industry’ and advance Singapore’s Smart Nation Vision.
- Encourage migration to digital payment platforms.



# Digital payments: changes

- Change in role of cheque: from negotiable instrument to a simple order to debit an account.
  - Terminology: payment 'instrument' to payment 'order'
- Change in authentication of payments: transition from manuscript signature to numerical/alphanumeric codes.
- Change in risks eg detecting unauthorised access
  - Increased emphasis on system integrity, data protection, customer diligence
  - Challenges: consumer protection, cybersecurity