



# Guide to Payment Regulations: Asia

Hong Kong  
Singapore

India  
South Korea

Mainland China  
Taiwan

Malaysia  
Thailand

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# Foreword

In recent years, the global payment landscape has been going through rapid evolution bolstered by advanced developments in technology and the exponential growth of fintechs. While fintechs bring new forms of payment innovations, regulators are also keeping up by reviewing, updating – and in some instances introducing – payment regulations to ensure a safe and secure financial ecosystem and overall economic stability.

The regulations that govern the provision of payment services tend to vary across jurisdictions. Corporates and fintechs that aspire to provide or facilitate such financial activities often find it challenging to interpret and understand these regulatory developments.

Standard Chartered and Allen & Overy – one of the largest and most connected law firms in the world – have collaborated to present the **Guide to Payment Regulations**. The guide aims to address some of the key challenges in selected jurisdictions by providing a market-specific overview of prevailing regulatory frameworks and licensing schemes.

Drawn from our collective experiences and expertise, the guide also features a Q&A section to address key questions corporate and fintech clients typically face when assessing business activities that may fall within the regulated scope.

We hope you will find this guide – and its upcoming editions – useful. Please get in touch with us if you would like to find out more.

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# User Notes

This guide has been developed for Standard Chartered's corporate and fintech clients seeking general information on regulations related to the provision of payment and e-money services. E-money services, in this regard, refer to stored value facilities.

Regulations pertaining to digital assets and cryptocurrencies are not within the scope of this guide, although increasingly we see regulators engaging in dialogues and consultations with industry participants to evaluate effective measures to regulate companies involved in the issuance and exchange of digital assets.

The information in this guide is for informational purpose only and is not intended or recommended as a substitute for professional legal advice. Please seek the advice of your legal and other professional advisers regarding whether the provision of payment and e-money services in your business context will be deemed as a regulated activity and what the licensing requirements are.

For information on Standard Chartered's presence and offerings in each market, please reach out to your relationship manager or transaction banking sales manager.

The following page sets out how the content has been organised for each market. Please note that the information for each market is presented as of the date specified, and any subsequent developments would not be reflected. Having said that, our intent is to update the guide from time to time to reflect significant regulatory developments since the last edition.

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<b>Introduction</b>	This section outlines the prevailing laws and regulations governing payment and e-money services in the jurisdiction as well as who the regulating authorities are.
<b>Regulated Scope</b>	This section summarises the relevant regulated services/activities as well as certain exemptions (non-exhaustive) that may be applicable. Where the local regulatory framework covers digital payment token services or operation of retail payment systems, etc., such information may be included to provide a complete overview from a regulatory framework perspective only. This guide focuses only on the provision of payment and e-money services.
<b>Licensing Scheme</b>	This section summarises the key types of licences or registrations applicable to payment and e-money services. Industry or sector specific regulatory or compliance requirements are not considered in this section.
<b>Other Key Licensing Requirements</b>	<p>This section summarises certain key requirements for obtaining the relevant licences or registrations, such as local incorporation/premises, minimum capital or financial requirements, compliance requirements with respect to anti-money laundering and countering the financing of terrorism (AML/CFT), data storage/localisation, etc.</p> <p>Please note the regulators have the discretion to impose a fee for the licensing/registration application. This guide does not cover the information on such fees. Please seek the advice of your legal and other professional advisers regarding the licensing/registration application fee.</p>
<b>Safeguarding Customer Monies</b>	<p>Customer Monies refer to the funds that the licensed/registered entity receives and holds on behalf of its customers.</p> <p>This section provides a high-level view on certain safeguarding requirements that may apply to the licensed/registered entity. There may also be specific requirements imposed by regulators in your licensing/registration application journey.</p>
<b>FX Controls</b>	This section provides a high-level view on foreign exchange regulations in the context of payment and e-money services. There may also be specific requirements or controls imposed by regulators in your licensing/registration application journey.
<b>Common Questions</b>	<p>This section provides generic responses to a few commonly asked questions related to the provision of payment and e-money services e.g., whether licensing is applicable for Business -to-Business (B2B) eCommerce platforms, whether the licensed entity is allowed to provide other financial activities such as lending and paying interest to their customers, and so on.</p> <p>Please note that the responses provided are not intended or recommended as a substitute for professional legal advice. Please seek the advice of your legal and other professional advisers on how the regulatory framework will apply in your business context.</p>

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# Hong Kong

## Introduction

In Hong Kong, Money Service Operators (MSOs) such as remittance agents and/or money changers, are regulated by the Customs and Excise Department (C&ED) through a licensing regime under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO).

As for operators of Stored Value Facilities (SVFs) and payment systems, they are regulated by the Hong Kong Monetary Authority (HKMA) under the Payment Systems and Stored Value Facilities Ordinance (PSSVFO). The payment systems are broadly defined as Clearing and Settlement Systems (CSS) and Retail Payment Systems (RPSs). Recently, the HKMA has been looking to expand the scope of the PSSVFO to include payment-related stablecoins that function like SVFs. In this guide, we focus on MSOs and SVFs.

## Regulated Scope

The AMLO and PSSVFO regulate the provision of money services and SVF/retail payment systems (RPS) respectively, as set out below:

Regulated Services/Activities	Brief Description	Licensing Exemptions (non-exhaustive)
<b>Regulated under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO)</b>		
<b>Remittance Service</b>	<p>Providing one or more of the following services as a business in Hong Kong:</p> <ul style="list-style-type: none"> <li>• Sending, or arranging for the sending of, money to a place outside Hong Kong;</li> <li>• Receiving, or arranging for the receipt of, money from a place outside Hong Kong; or</li> <li>• Arranging for the receipt of money in a place outside Hong Kong.</li> </ul>	<ul style="list-style-type: none"> <li>• An authorised institution, as defined in the Banking Ordinance.</li> <li>• A licensed corporation or an authorised insurer/insurance broker/appointed insurance agent that operates a money service that is ancillary to its principal business.</li> <li>• A SVF licensee that operates a money service that is ancillary to the licensee's principal business.</li> <li>• A system operator or settlement institution of a designated RPS that operates a money service that is ancillary to its business as a system operator or settlement institution.</li> </ul>
<b>Money Changing Service</b>	<p>Providing service for exchanging of currencies as a business in Hong Kong.</p>	
<b>Regulated under the Payment Systems and Stored Value Facilities Ordinance (PSSVFO)</b>		
<b>Stored Value Facility (SVF) Service including E-Money and E-Wallet Services</b>	<p>A facility that may be used for storing the value of an amount of money that:</p> <ul style="list-style-type: none"> <li>• Is paid into the facility from time to time; and</li> <li>• May be stored on the facility under the rules of the particular facility.</li> </ul> <p>The facility may be used as a means for either or both of the following purposes:</p> <ul style="list-style-type: none"> <li>• Making payment for goods or services under an undertaking given by the issuer; and/or</li> <li>• Making payments to another person under an undertaking given by the issuer. Such undertaking is that the issuer or a person procured by the issuer will accept payments up to the amount of the stored value that is available for use under the rules of the facility.</li> </ul>	<ul style="list-style-type: none"> <li>• A single-purpose SVF that can only be used to pay for goods or services provided by the issuer.</li> <li>• For certain cash reward schemes e.g., loyalty schemes provided by shops and supermarkets.</li> <li>• For purchasing certain digital products e.g., ringtones, music, e-books, games that can only be used on smartphones, computers, or other IT devices.</li> <li>• For certain bonus point schemes e.g., airline mileage program that provides non-cash points which are not redeemable for cash.</li> <li>• Within limited groups of goods or services providers e.g., store cards to be used at the store's premises.</li> <li>• Within certain premises e.g., membership cards where the cards can only be used in the shops or restaurants in a specific club, etc.</li> </ul>

<b>Retail Payment System (RPS)<sup>1</sup></b>	<p>A system or arrangement for the transfer, clearing or settlement of payment obligations related to retail activities (whether the activities take place in Hong Kong or elsewhere), principally by individuals, that involve purchases or payments.</p> <p>It can also refer to related instruments and procedures. Examples of a RPS include payment card systems, electronic fund transfer systems, transaction acquiring systems, and payment gateways.</p>	<ul style="list-style-type: none"> <li>• Electronic fund transfer systems operated by authorised institutions to serve their own customers e.g., internet and mobile banking payment services, ATM networks, etc.</li> <li>• A payment system run by a SVF licensee to support its own SVF schemes.</li> </ul>
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Note 1:

- Merchant acquisition services may fall under the definition of a RPS where the payments transactions relate to retail activities. As such, payment facilitators and merchant acquirers could be designated as operators of a designated RPS. Currently the designated RPSs are VISA, Mastercard, UnionPay International, American Express, JETCO and EPSCO, which operate large businesses in Hong Kong. Entities that are solely a payment facilitator or merchant acquirer have not been designated as a RPS operator at present.
- If the RPS operated by the SVF licensee also supports SVF schemes run by other SVF issuers, the HKMA may consider it as a designated RPS.

## Licensing Scheme

Regulated Services/Activities	Type of Licenses	Minimum Capital	Additional Information
<b>Remittance Service</b> <b>Money Changing Service</b>	<b>Money Service Operators (MSO)</b>	Not specified	/
<b>Stored Value Facility (SVF) Service including E-Money and E-Wallet Services</b>	<b>Stored Value Facility (SVF)</b>	HKD25 million or equivalent (paid-up share capital or its other financial resources)	Some overseas SVF issuers may want to extend their SVF business to cover the Hong Kong market. The HKMA will evaluate various factors (including promotion of the services, content of issuer's websites) to ascertain whether such schemes will fall within or outside scope.

## Other Key Licensing Requirements

<b>Local Incorporation/ Premises</b>	Local incorporation is not required; MSO licensees need to register the particular premise with the C&ED. If there are no particular premises from which to operate applicant's money service, an applicant must maintain a physical presence in Hong Kong.
<b>Minimum Capital/ Financial Requirement</b>	Refer to previous section.
<b>Compliance</b>	AML/CFT, risk management, user/customer protection, fit & proper, notifications to regulators, business conduct, management of float, etc.
<b>Data Storage/ Localisation</b>	No requirement for data to be retained onshore. However, there are certain provisions under the Personal Data (Privacy) Ordinance (Cap. 486) (PDPO) which govern the retention and cross-border transfer of personal data.

## Safeguarding Customer Monies

SVF licence holders are required to have and implement adequate risk management policies and procedures to safeguard e-money floats and SVF deposits and to ensure that there are always sufficient

funds for the redemption of the stored value remaining on the facility. The licensee must also ensure the following:

- All funds are deployed for the prescribed usage only.
- Funds belonging to SVF users are adequately protected against claims by other creditors of SVF issuers, and that the funds are protected from operational and other relevant risks; and
- At all times the float and SVF deposit is kept separate from any other funds paid to, or maintained or received by the licensee.

## FX Controls

Generally, there are no foreign exchange regulatory restrictions.

## Common Questions

### 1. Do the licensing requirements apply to Business to Business (B2B) eCommerce platforms?

Yes. Generally, if the platform accepts and processes payment transactions for merchants, which results in a transfer of money/settlement of funds to the merchants without engaging a licensed service provider to facilitate the flows, the licensing requirements will apply.

### 2. Does a foreign payment service provider (PSP) need to be licensed in Hong Kong to provide cross-border payment services?

No, money services licensing requirements generally will not be triggered if the remittance service is provided by a foreign PSP on a cross-border basis and without any onshore presence, where the clients of the PSP are not located in Hong Kong.

Please note that foreign PSPs, which provide cross border remittance service to clients who are based in Hong Kong, will be subject to the licensing requirements.

### 3. Are there any key restrictions or thresholds that SVF service providers need to operate within?

There are no regulatory restrictions on e-money issuance, but there may be specific transaction limits depending on the bank or SVF that will be receiving the customer's funds. Certain SVFs may have specific limits:

- For a device-based SVF, there is a HKD3,000 maximum stored value limit. However, this limit becomes inapplicable once a customer becomes verified (i.e., has gone through the customer due diligence process).
- For a non-reloadable network-based SVF, provided that it is used exclusively for domestic payments for goods or services and its maximum stored value does not exceed HKD8,000, and no purchases of multiple SVFs at one time are allowed and the total value of multiple SVFs purchased at one time does not exceed HKD25,000, in general there is no requirement to conduct any due diligence on the customer. These customers are regarded as unverified customers.
- For a reloadable network-based SVF, provided it (i) is used exclusively for domestic payments for goods or services; (ii) its maximum stored value does not exceed HKD3,000; and (iii) the annual transaction amount does not exceed HKD25,000, in general there is no requirement to conduct any due diligence on the customer.
- An SVF licensee that operates a money changing service that is ancillary to its principal business should before performing any money changing transactions equal to or exceeding an aggregate value of HKD120,000, whether carried out in a single operation or in several operations that appear to the SVF licensee to be linked, conduct customer due diligence for verified customers.

### 4. Can licensees provide any lending or pay interest to their customers in Hong Kong?

No, it is not allowed. In Hong Kong, the Money Lenders Ordinance governs lending activities, and the Banking Ordinance governs deposit taking activities and banking activities. Having the above-mentioned licences alone will not allow lending activities and/or payments of interest on related accounts.



# India

## Introduction

The Payment and Settlement Systems Act 2007 (PSS Act), the Payment and Settlement Systems Regulations 2008 (PSS Regulations) and the various Master Directions, Master Circulars, Notifications and Guidelines issued by the Reserve Bank of India (RBI) from time-to-time form the basis for financial services regulations in India.

The regulations are categorised by the nature of financial services rendered, each requiring an independent and explicit authorisation from the RBI to operate in India.

## Regulated Scope

In this guide, we focus on key payment related activities that non-bank entities often engage in such as online payments, prepaid instruments (i.e., stored values) and remittance services. These services are governed under the PSS Act and respective legislations/regulations.

Regulated Services/ Activities		Brief Description	Licensing Exemptions (non-exhaustive)
<b>The Payment and Settlement Systems Act 2007 (PSS Act)</b>			
<b>Payment System Provider (PSP)/Operator (PSO)</b>		<ul style="list-style-type: none"> <li>Defined as an entity who operates an authorised payment system that enables payment to be made between a payor and a beneficiary, involving a clearing, payment, or settlement service, or all of them.</li> <li>A payment system includes the systems enabling credit/debit card operations, smart card operations, money transfer operations or similar operations, but does not include a stock exchange or clearing corporations set up under stock exchanges.</li> <li>A PSO must perform either the clearing or settlement or payment function or all of them.</li> </ul>	No applicable exemptions.
<b>Guidelines<sup>1</sup> on Regulation of Payment Aggregators and Payment Gateways</b>			
<b>Online Payments</b>	<b>Payment Aggregators (PA)</b>	<ul style="list-style-type: none"> <li>Facilitate e-commerce sites and merchants to accept various payment instruments from the customers without the need to create a separate payment integration system of their own.</li> <li>PAs facilitate merchants to connect with acquirers. In the process, PAs receive payments from customers, pool and transfer them on to the merchants after a time period.</li> </ul>	No applicable exemptions.
	<b>Payment Gateway (PG)</b>	<ul style="list-style-type: none"> <li>Provide technology infrastructure to route and facilitate processing of online payment transactions without any involvement in handling of funds.</li> <li>Considered as technology providers or outsourcing partners of banks or non-banks; need to comply to RBI guideline on “Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks” and other follow up circular(s) and limited to adhering to the baseline technology-related recommendations.</li> </ul>	Not classified as activities requiring regulatory approval.

Note 1: The guideline is not applicable to Cash-on-Delivery e-commerce model.

Regulated Services/ Activities		Brief Description	Licensing Exemptions (non-exhaustive)
<b>Processing and settlement of import and export related payments facilitated by OPGSPs</b>			
<b>Processing and Settlement of Import and Export Related Payments</b>	<b>Online Payment Gateway Service Providers (OPGSPs)</b>	<ul style="list-style-type: none"> <li>AD-I banks are permitted by RBI to enter a standing arrangement with the OPGSPs and offer the facilities for export and import as permitted in the prevalent Foreign Trade Policy. Per transaction limit as below: <ul style="list-style-type: none"> <li>Export of goods and services: USD10,000.</li> <li>Import of goods and softwares: USD2,000.</li> </ul> </li> <li>OPGSPs need to open a collection<sup>2</sup> account with the AD-I Bank (separate accounts for import and export collections).</li> <li>OPGSPs that are domestic entities need to maintain separate accounts for domestic and cross border transactions; OPGSPs that are foreign entities need to set up a liaison office in India.</li> <li>If an OPGSP also functions as PG or PA for undertaking any domestic leg of import or export transaction, respective guidelines need to be adhered to.</li> </ul>	No applicable exemptions.
<b>Master Directions on Prepaid Payment Instruments (MD-PPIs)</b>			
<b>Prepaid Payment Instruments (PPI) including E-Money</b>		<ul style="list-style-type: none"> <li>Facilitate purchase of goods and services, financial services, remittance facilities, etc., against the value stored therein and may be issued as cards, wallets and in any such form that can be used to access the PPI and use the stored value (but not in the form of paper vouchers).</li> <li>E-money is a form of PPI with prepaid value stored electronically and is denominated in a currency backed by the authority. In India, e-money is PPIs issued as wallets and cards.</li> <li>PPIs are denominated in INR and classified into 3 types: <ol style="list-style-type: none"> <li><b>Small PPIs:</b> issued by banks and non-banks after collecting minimal user details.</li> <li><b>Full-KYC PPIs:</b> issued by banks and non-banks after completion of user KYC.</li> <li><b>Closed System PPIs:</b> issued by an entity for facilitating the purchase of goods and services from that entity only and do not permit cash withdrawal and neither to be used for payment or settlement for third party services.</li> </ol> </li> <li>Issuing PPIs of any categories other than Gift PPIs, PPIs for Mass Transit Systems and PPIs for Foreign Nationals/Non-Resident Indians visiting India is not permitted.</li> </ul>	No applicable exemption, but note that: <ul style="list-style-type: none"> <li>Closed system PPIs not classified as activities requiring regulatory approval.</li> <li>Foreign Exchange PPIs<sup>3</sup> are authorised under FEMA and outside the purview of MD-PPIs.</li> </ul>

Note 2: As per RBI mandate, the intermediaries receiving online payments need to collect the money in a collection account, payments to the seller happens from this account without delay. This account is a special purpose account created for receiving monies for cross border transactions from participating banks and remitting to specific merchants.

Note 3: Entities authorised under FEMA to issue foreign exchange denominated PPIs.

Regulated Services/ Activities		Brief Description	Licensing Exemptions (non-exhaustive)
<b>Regulated under Foreign Exchange Management Act 1999 (FEMA) and applicable rules/guidelines issued under</b>			
<b>Inward Remittance Services<sup>4</sup></b>	<b>via Rupee Drawing Arrangement (RDA)</b>	<ul style="list-style-type: none"> <li>The cross-border inward remittances into India under RDA are primarily on private accounts. The remitter and the beneficiary should be individuals barring a few exceptions.</li> <li>Under RDA, the Authorised dealer category-I<sup>5</sup> banks (AD-I banks) may enter into arrangements with non-resident exchange houses<sup>6</sup> situated in permitted jurisdictions i.e., all FATF (Financial Action Task Force) compliant countries for opening and maintaining their vostro accounts to facilitate inward remittances into India.</li> </ul>	No applicable exemptions other than remittances through Exchange Houses for financing of trade transactions are permitted up to certain limit.
	<b>via Money Transfer Service Scheme (MTSS)</b>	<ul style="list-style-type: none"> <li>Only for cross-border personal remittances such as remittance towards family maintenances and remittance favouring foreign tourists visiting India, etc are allowed. Donations or contributions to charitable institutions/trusts, trade related remittances, remittance towards purchase of property are specifically not allowed.</li> <li>Under MTSS, reputed money transfer companies abroad (Overseas Principals<sup>7</sup>) can enter into a tie-up arrangement with agents in India (Indian Agents<sup>8</sup>), who disburse funds to beneficiaries in India at ongoing exchange rates.</li> <li>Indian Agents can appoint sub-agents, which can be retail outlets, commercial entities having a place of business, etc to expand their network.</li> </ul>	No applicable exemptions.
<b>Outward Remittance Services</b>	<b>by AD-I Banks</b>	AD-I Banks are generally permitted to facilitate outward remittance by Indian residents as long as such outward remittances comply with the FEMA and the rules/regulations made thereunder.	No applicable exemptions.
	<b>by Non-Bank Entities that Tie Up with AD-I Banks</b>	Non-bank entities may tie-up with an AD-I Bank in India to facilitate current account <sup>9</sup> transactions that are personal in nature such as expenses for overseas private visits, business travel expenses, overseas education fees, assessment fees for overseas job applications, etc.	

Note 4 Besides MTSS and RDA, beneficiaries in India can also receive through banking and postal channels.

Note 5: An AD is any person specifically authorised by the RBI under Section 10(1) of FEMA, 1999, to deal in foreign exchange or foreign securities. The list of ADs includes Banks (category I) and Full-Fledged Money Changers (FFMC) (category II).

Note 6: Companies and financial institutions which are licensed and regulated by the competent authority in the sending country, for sourcing of funds from the remitters.

Note 7: A registered entity, licensed by the Central Bank/Government or financial regulatory authority of the country concerned for carrying on Money Transfer Activities.

Note 8: AD-I banks or AD category-II or FFMCs or the Department of Posts are eligible to apply to the RBI to be licensed as an Indian Agent.

Note 9: Under FEMA, all transactions involving foreign exchange have been classified either as capital or current account transactions. All transactions undertaken by a resident that do not alter his/her assets or liabilities, including contingent liabilities, outside India are current account transactions.

## Licensing Scheme

Regulated Services/Activities		RBI Approval Required?	Additional Information
Payment System Provider/Operator		Yes	Under the PSS Act
Payment Aggregators		Yes	Under the PSS Act
Payment Gateway		No	Under the PSS Act
Online Payment Gateway Service Providers (OPGSPs)		No, if just operates as OPGSP	Under the PSS Act
		Yes, if to process and settle import and export related payments	Before operationalising the arrangement with any AD-I bank
Non-Bank PPIs		Yes	Under the PSS Act Note: Non-bank entities regulated by any of the financial sector regulator need to obtain a 'No Objection Certificate' from its respective regulator prior to seeking RBI approval.
Inward Remittance Services	via RDA	Yes, for the first RDA	AD-I bank to seek the approval
		No, for subsequent RDAs	AD-I bank to inform RBI immediately
	via MTSS	Yes	Indian agents (and sub-agents) and overseas principals must seek approval individually
Outward Remittance Services	by AD-I Banks	No	Permitted under AD-I bank licence
	by Non-Bank Entities that Tie Up with AD-I Banks	Yes	A specific approval from RBI

## Other Key Licensing Requirements

Local Incorporation/ Premises	Payment Aggregators		Required
	Payment Gateways		Not required
	Foreign OPGSP		Required a liaison office only
	Non-Bank PPIs		Required
	Inward Remittance Services via RDA	Non-resident exchange house	Not required
	Inward Remittance Services via MTSS	Overseas principal	Not required
	Outward Remittance Services	Non-bank entities that tie up with ADI-banks	Not required
Minimum Capital/ Financial Requirement	Payment Aggregators	At the time of application for authorisation	INR150 million (net-worth)
		By the end of 3 <sup>rd</sup> financial year of grant of authorisation and maintained at all times thereafter	INR250 million (net-worth)
	Foreign OPGSP	Not specified	

	Non-Bank PPIs	Per the latest audited balance sheet at the time of application and maintained at all times	INR50 million (net-worth)
		By the end of 3 <sup>rd</sup> financial year after receiving authorisation and maintained at all times thereafter	INR150 million (net-worth)
	Inward Remittance Services via MTSS	Overseas principal	USD1 million (net-worth)
		Indian agent	INR5 million (net-worth)
Sub-agent		INR0.5 million (net-worth)	
<b>Compliance</b>	All licensed operators must comply with Know Your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/Combating of Financing of Terrorism (CFT) guidelines/obligations under Prevention of Money-laundering Act (PMLA). The RBI (or other government agencies) may require the operators to submit returns, documents and other information relating to the operation of the payment system.		
<b>Data Storage/ Localisation</b>	<p>The RBI requires all payment system participants to ensure that all transaction related data is stored only in India. However, in case there is a foreign leg to the transaction, the transaction data may be stored abroad, which shall be in addition to a domestic copy of the same.</p> <p>Separately, if the transaction does not have a foreign leg, but is only 'processed' abroad, then the RBI requires that, post processing, the transaction data be deleted from foreign servers, not later than one business day or 24 hours, whichever is earlier.</p>		

## Safeguarding Customer Monies

The following guidelines must be followed while handling customer funds:

Regulated Services/ Activities	Requirements	Additional Information
<b>Payment System Operator</b>	The PSS Act has a specific provision in relation to the protection of funds collected from customers.	The PSO needs to ensure that the balances held in such accounts are not utilised for any other purpose apart from discharging the liabilities arising on account of the usage of the payment services by the customer or repaying to the customer.
<b>Payment Aggregators</b>	The RBI may require the PSO to	
<b>Non-bank PPIs</b>	<ul style="list-style-type: none"> <li>Deposit and keep customers' monies deposited in a separate account or accounts held in a scheduled commercial bank; or</li> <li>Maintain liquid assets in the prescribed manner.</li> </ul>	
<b>Outward Remittance Services by Non-Bank Entities that Tie Up with AD-I Banks</b>	The remitter's monies should be kept distinct from non-bank entity's operating account, and such monies should be duly protected from insolvency risks of the non-bank entity.	The partner AD-I bank needs to monitor that the balances held in such accounts are not utilised for any other purpose apart from discharging the liabilities arising on account of the usage of the payment services by the customer or repaying to the customer.

For OPGSPs who enter a standing arrangement with an ADI-bank to process and settle import and export related payments, the import and export collections are via designated collection accounts opened with the AD-I bank. RBI has also specified ways of processing and speed of settlement of such collections. Furthermore, the AD-I bank needs to conduct the reconciliation and audit of the collection accounts on a quarterly basis.

For more details, please refer to the Circular on Processing and settlement of import and export related payments facilitated by Online Payment Gateway Service Providers.

## FX Controls

Cross-border remittances and foreign exchange transactions are highly regulated in India. Below we provide a few examples on how foreign exchange regulations are applicable, in practice, in certain situations to specific payment services.

### Prepaid Instruments (PPIs)

The use of INR denominated PPIs for cross-border transactions is not permitted except for the following instances:

Cases	Requirements
<b>Inward Remittance to PPIs</b>	<ul style="list-style-type: none"> <li>Limited to remittances via MTSS and PPIs are India Agents.</li> <li>PPI users (i.e., remitter and beneficiary) are individuals.</li> <li>Max INR50,000 per transaction and if exceed INR50,000 in a single transaction, must be paid by credit into a bank account of the beneficiary</li> </ul>
<b>Outward Remittance from Full-KYC PPIs Issued by an AD-I Bank</b>	<ul style="list-style-type: none"> <li>Not to be used for payments made under the Liberalised Remittance Scheme.</li> <li>Max INR10,000 per transaction.</li> <li>Max INR50,000 per month.</li> </ul>
<b>Full-KYC PPIs Issued by Banks and Non-Banks to Foreign Nationals/Non-Resident Indians Visiting India</b>	<ul style="list-style-type: none"> <li>Started with travellers from the G20 countries, arriving at select international airports.</li> <li>Can be issued under a co-branding arrangement with entities authorised to deal in Foreign Exchange under FEMA.</li> <li>Key terms to operate such PPIs: <ul style="list-style-type: none"> <li>Being loaded or reloaded against receipt of foreign exchange by cash or through any payment instrument.</li> <li>Ensure the amount outstanding at any point of time in such PPI does not exceed INR200,000.</li> <li>Ensure that unutilised balances in such PPIs is encashed in foreign currency or transferred back to source (payment source from where the PPI was loaded), in compliance with India Foreign Exchange regulations.</li> </ul> </li> </ul>

## Common Questions

### 1. Do the licensing requirements apply to Business to Business (B2B) eCommerce platforms?

Yes. Generally, if the platform accepts and processes payment transactions for merchants, which results in a transfer of money/settlement of funds to the merchants without engaging a licensed service provider to facilitate the flows, the licensing requirements will apply.

### 2. Does a foreign payment service provider (PSP) need to be licensed in India to provide cross-border payment services?

Yes. Foreign PSPs which provide remittance services to clients in India will be subject to the licensing requirements. For a foreign PSP which is simply arranging inward remittances on behalf of its overseas clients, it would be subject to the applicable requirements if it seeks to act in the capacity of an overseas principal (through MTSS) or a non-resident exchange house (through RDA).

### 3. Are there any key restrictions or thresholds that different licensees need to operate within?

Yes, below summarises key restrictions or thresholds applicable to non-bank PPIs and remittance services:

### For non-bank PPIs:

Non-bank PPIs are permitted to be loaded/reloaded by cash, debit to a bank account, credit and debit cards, PPIs (as permitted from time to time) and other payment instruments issued by regulated entities in India. Key differences between small PPIs and Full KYC PPIs in terms of balance and transaction limits are:

Max balance and transaction limits		Small PPIs <sup>1</sup>	Full KYC PPIs
Cash loading per month		INR10,000	INR50,000
Load PPIs' wallets and cards from credit lines including Buy-Now-Pay-Later (BNPL) products or pre-set borrowing limits		Not allowed	Not allowed
Amount loaded during any month		INR10,000	INR50,000
Total amount debited during any month			
Amount outstanding at any point of time		INR10,000	INR200,000
Cash withdrawal	Per transaction	Not allowed	INR2,000
	Monthly across all channels (agents, ATM, PoS device, etc)		INR10,000 per PPI
Fund transfer	Monthly per pre-registered beneficiary	Not allowed	INR200,000
	Monthly for other cases		INR10,000

Note 1: Small PPIs can be classified into (a) small PPIs with cash loading facility and (b) small PPIs without cash loading facility (loading/reloading from a bank account, credit/debit card or full-KYC PPI). Small PPIs with cash loading facility need to be converted into full-KYC PPIs within a period of 24 months from the date of issue of the PPIs.

### For remittance services:

Types of Remittances			Transaction Limits/Thresholds	
Inward Remittances	via RDA	For cross-border inward individual to individual remittance	Not specified	
		For cross-border inward trade remittance to (i) individuals; and (ii) non-individual recipient or beneficiary in limited circumstances, as may be facilitated by AD-I Bank	Max INR1.5 million per remittance for trade related transactions	
	via MTSS	For individual remittance only	Transaction value	Max USD2,500 per transaction
			Number of transactions	Max 30 remittances received by a single individual in a calendar year
Receipt method			<ul style="list-style-type: none"> <li>Up to INR50,000 in cash</li> <li>Exceed INR50,000 by account payee cheque, demand draft, payment order, or credit into the beneficiary's bank account only</li> </ul>	
Outward Remittances	by Non-Bank Entities that Tie Up with AD-I Banks	For small value transactions	USD5,000 per transaction	
		For overseas educations	USD10,000 per transaction	
		Trade transactions <sup>1</sup>	Max USD2,000 per transaction	
		By resident individuals under the Liberalised Remittance Scheme	Max USD250,000 per annum	

Note 1: subject to limits and other conditions prescribed for imports under Online Payment Gateway Service Providers.

## 4. Can licensees provide any lending or pay interest to their customers in India?

No, it is not allowed. PPIs cannot pay interest on balances. In addition, non-bank PPIs are also prohibited from loading cash from credit lines (including BNPL products) and pre-set borrowing limits.



# Mainland China

## Introduction

In Mainland China, only banking institutions and licensed non-bank payment institutions (payment institutions) are permitted to provide payment services. The People's Bank of China (PBOC) issued in 2010 the Administrative Measures on Payment Services Provided by non-financial Institutions and their Implementation Rules. Since then, non-bank institutions must obtain payment business permits to engage in payment services and are subject to the PBOC's supervision and management.

The PBOC further published in 2012 and 2015 respective administrative measures to regulate payment institutions that are involved in prepaid card and online payment businesses. The State Administration of Foreign Exchange (SAFE) also issued administrative measures for payment institutions that intend to engage in foreign exchange business. A payment institution must have a payment business permit from PBOC before registering with SAFE.

## Regulated Scope

Below table summarises key regulated scope of payment services defined under the main administrative measures:

Regulated Services/ Activities	Brief Description	Licensing Exemptions (non-exhaustive)
<b>Administrative Measures of PBOC on Payment Services Provided by Non-Financial Institutions</b>		
<b>Payment Through Network</b>	The transfer of monetary funds between payers and payees via public or private networks, including currency exchange, internet payment (online payment), mobile phone payment, landline phone payment, digital TV payment, etc.	No applicable exemption.
<b>Issuance and Acceptance of Prepaid Cards</b>	Cards stored with prepaid values issued for making profits and used for buying goods or services at institutions other than the issuer, including those issued in the form of cards or passwords by adopting technologies such as magnetic stripes or chips.	<ul style="list-style-type: none"> <li>• Used to pay social security only.</li> <li>• Used for public transport only.</li> <li>• Used to pay telephone and other telecommunication charges only.</li> <li>• The issuer and the merchant are the same legal person.</li> </ul>
<b>Bank Card Acquiring</b>	Collect monetary funds on behalf of the franchised merchants of bank cards via the POS terminals.	No applicable exemption.
<b>Notice on Supporting Cross-Border RMB Settlement for New Trade Formats</b>		
<b>Cross-Border RMB Settlement Services</b>	Partner with a cooperative bank (domestic bank) to provide cross-border RMB settlement services for market transaction entities <sup>1</sup> and individuals under the current account.	No applicable exemption (online payment business permit is a pre-requisite).
<b>Administrative Measures for the Foreign Exchange Services of Payment Institutions</b>		
<b>Foreign Exchange</b>	Provide small, fast, and convenient electronic payment services under the current account to the market transaction entities <sup>1</sup> for cross-border transactions through payment institutions' cooperative banks (domestic banks), including settlement and sales of foreign exchange for their clients and relevant fund receipt and payment services.	No applicable exemption (payment business permit is a pre-requisite).

Note 1: Refer to the e-commerce operators (e.g., cross-border e-commerce, procurement trade, overseas warehouses, integrated foreign trade services) and consumers who purchase goods or services.

## Licensing Scheme

Providing payment services requires a payment business licence, which is also a pre-requisite if payment institutions wish to carry out foreign exchange business for their clients (i.e., market transaction entities) within the registered payment business scope via their cooperative banks.

Regulated Services/Activities	Licensing/Registration	Minimum Paid-Up Capital Requirements	
<b>Payment Through Network</b>	Payment business permit from the PBOC given for the approved scope of services <sup>1</sup> .	RMB30 million (in a province <sup>2</sup> only)	RMB100 million (countrywide <sup>3</sup> )
<b>Issuance and Acceptance of Prepaid Cards</b>			
<b>Bank Card Acquiring</b>			
<b>Cross-Border RMB Settlement Services</b>	Filed by the cooperative bank.	Not specified; having an online payment business permit is a pre-requisite.	
<b>Foreign Exchange</b>	Registration with the SAFE <sup>4</sup> .	Not specified; having a payment business permit is a pre-requisite.	

Note 1: E.g., an online payment business permit is issued to provide only internet/online payments under payments through network.

Note 2: A province is defined as an autonomous region or municipality directly under the central government.

Note 3: If the payment institution forms a branch office in another province to operate the payment business or if it makes it possible for its clients to handle the payment business in another province.

Note 4: In the directory of enterprises with foreign exchange receipt and payment from trade.

## Other Key Licensing Requirements

<b>Local Incorporation/ Premises</b>	Required
<b>Minimum Capital/ Financial Requirement</b>	Refer to previous section.
<b>Compliance</b>	AML/CFT, business conduct, personnel and IT/security requirements, customer due diligence requirements, internal control, and risk management measures, etc.
<b>Data Storage/ Localisation</b>	Required to be retained onshore for a foreign invested payment institution and a common market practice for domestic payment institutions as well. Cross-border transfer of data is subject to Mainland China's data privacy laws and rules such as the Cybersecurity Law, Data Security Law, and Personal Information Protection Laws.

## Safeguarding Customer Monies

Below summarises key requirements for payment institutions to safeguard clients' funds. In addition, payment institutions need to manage their own funds and client monies separately. For further details, please refer to the Measures for the Custody of Client Provisions at Non-Banking Payment Institutions, issued by PBOC in 2021.

Key Requirements	
<b>Dedicated Deposit Account</b>	<ul style="list-style-type: none"> <li>Client funds need to be directly deposited in full at the Central Custody Account opened with PBOC or a qualified commercial bank as the case for prepaid card business, a dedicated Prepaid Card Account.</li> <li>Before the closing of the High-Value Payment System each working day, client funds in the Prepaid Card Account need to be deposited into the Central Custody Account.</li> <li>Client funds are legally owned by clients, not payment institutions.</li> </ul>
<b>Use of Client Funds</b>	<ul style="list-style-type: none"> <li>Client funds can only be used for payment transactions requested by clients.</li> <li>The transfer of client funds needs to be processed through a qualified clearing institution, including the fund transfer between the unsettled funds account and the settlement accounts.</li> </ul>

<b>Unsettled Funds Account</b>	<ul style="list-style-type: none"> <li>Unsettled funds accounts can be opened with qualified transaction bank(s) i.e., commercial banks to provide cross-border RMB payment services, cross-border foreign currency payment services and fund purchase payment services.</li> </ul>
<b>Client Fund Agreement</b>	<ul style="list-style-type: none"> <li>Select one clearing institution as the principal supervisor of client funds.</li> <li>Enter into the agreement with the principal clearing institution and the commercial bank to set out the rights, obligations and responsibilities of both parties and ensure the safety of client funds.</li> <li>Each signing party to file the agreement with the local branch of PBOC.</li> </ul>
<b>Guarantee (by the Non-Bank Payment Institution)</b>	<ul style="list-style-type: none"> <li>Contribute to the industry guarantee fund to cover specified losses to client funds and for any other purposes specified by the PBOC.</li> </ul>

## FX Controls

The Measures for the Administration of Foreign Exchange Business of Payment Institutions are the major rules governing Foreign Exchange Business of the Payment Institutions. Payment institutions can only carry out the foreign exchange business within their registered business scope through cooperation with qualified banks (in principle, no more than two banks). In addition, in principle, the amount of a single transaction involving foreign exchange shall not exceed the equivalent amount of USD50,000.

## Common Questions

### 1. Do the licensing requirements apply to Business to Business (B2B) eCommerce platforms?

Yes, if the platform accepts and processes payment transactions for merchants, which results in a transfer of money or settlement of funds to merchants without engaging a licensed service provider to facilitate the flows. Otherwise, no.

### 2. Does a foreign payment service provider (PSP) need to be licensed in Mainland China to provide cross-border payment services?

Yes, for foreign PSPs that provide payment services to their clients in Mainland China.

No, for foreign PSPs who are simply effecting payments on behalf of their overseas clients to recipients in Mainland China.

### 3. Are there any key restrictions or thresholds that licensees need to operate within?

Yes, for instance, in the administrative measures for online payment business provided by non-bank payment institutions, payment institutions are required to categorise and manage the use of payment accounts opened by individual clients with the non-bank payment institutions as below:

Payment Account Type		Class I	Class II	Class III
Identity verified through	F2F <sup>1</sup>	Not required	Yes	Yes
	# of non-F2F channels	At least 1	At least 3	At least 5
Use account balance	For consumption/ account transfer	Allowed	Allowed	Allowed
	To buy investment/ wealth and other financial products	Not allowed	Not allowed	Allowed
The limit of accumulative amount of balance payment transactions <sup>2</sup>		RMB1,000 (at any point of time)	RMB100,000 (during a year)	RMB200,000 (during a year)

Note 1: By the payment institution or an authorised partner.

Note 2: Only class I limit includes account transfers from the payment account to the client's same name account; where the payment is made by the client via the payment institution from the bank's portal to the debit of client's bank account, the payment is not subject to the above limits but to the limit as agreed among the client, its account bank, and the payment institution.

Limit Management per Transaction Verified Through # of Valid Elements	Two or More Types		Less than Two Types
	Including digital certificates and e-signatures	Without digital certificates or e-signatures	
Accumulative limit for a single day	Per agreement	/	/
Accumulative amount of all payment accounts <sup>1</sup> of a single client for a single day	/	RMB5,000 <sup>2</sup>	RMB1,000 <sup>2</sup>

Note 1: Excludes account transfers from payment accounts to client's same name bank accounts.

Note 2: If a payment institution is classified as Class A and more than 95% of its Class II and Class III payment accounts are affixed with real names, the upper limits of the accumulative amount of the real-name Class II and Class III payment accounts will be twice as the above, i.e., RMB10,000 and RMB2,000 respectively.

If a payment institution is classified as Class B or above, and more than 90% of its Class II and Class III payment accounts are affixed with real names, the upper limits of the accumulative amount of the real-name Class II and Class III payment accounts will be 1.5 times as the above, i.e., RMB7,500 and RMB1,500 respectively.

As for the classification of payment institutions, PBOC and its local counterparts are responsible for rating payment institutions. For further details, please refer to the Measures for Classification of Non-banking Payment Institutions, issued by PBOC in 2016.

Likewise, in the administrative measures for prepaid card business, key implementation rules are:

Prepaid Card Type (denominated in RMB only)		Registered (with valid IDs)	Non-Registered
Max funds balance in a card		RMB5,000	RMB1,000
Use of account balance	Over-draft	Not allowed	Not allowed
	Redeemable?	Yes (after 3 months)	No <sup>1</sup>
	Internet/online payment?	Not allowed (exceptions <sup>2</sup> apply)	Not allowed (exceptions <sup>2</sup> apply)
	Top up other cards?	Not allowed	Not allowed
	Withdraw to cash	Not allowed	Not allowed
Ways to purchase/top up		Cash <sup>3</sup> and bank transfer only	Cash <sup>3</sup> and bank transfer only

Note 1: When a payment institution terminates the prepaid card business as required, it shall redeem all non-registered cards, along with registered cards, from cardholders for free.

Note 2: For three scenarios: (i) to pay for public utilities (ii) to purchase from contracted merchants' online stores (iii) where the prepaid card issuer also has the online payment business permit, users can use the balance to top up his or her own same name online payment account opened with the same issuer subject to an accumulative limit of RMB5,000.

Note 3: Has a few restrictions e.g., not allowed to use cash to perform one-time top up of more than RMB5,000.

#### 4. Can licensees provide any lending or pay interest to customers in Mainland China?

No, it is not allowed. In principle, a payment institution is not allowed to run directly or indirectly any business such as securities, insurance, credit, financing, wealth management, guarantee, trust, currency exchange and cash deposit and withdrawal. Separate licensing/regulatory approval is required to engage in such activities.



# Malaysia

## Introduction

In Malaysia, financial institutions, payment systems and money service providers are supervised and regulated by the Financial Services Act 2013 (FSA). The FSA also provides oversight of the money market and foreign exchange market to promote financial stability and covers both providers of merchant acquiring services and issuers of designated payment instruments (DPIs) such as electronic money (e-money).

Furthermore, the Money Services Business Act 2011 (MSBA) came into force on 1 December 2011 and provides for the licensing, regulation and supervision of the money services business industry which comprises money changing, remittance and wholesale currency businesses and other related matters.

## Regulated Scope

The FSA and MSBA regulate 3 broad categories of payment services, as set out below. The types of designated payment instruments regulated under the FSA include cheques, credit cards, charge cards, debit cards and e-money. In this guide, we focus on e-money.

Regulated Services/ Activities <sup>1</sup>	Brief Description	Licensing Exemptions (non-exhaustive)
<b>Financial Services Act 2013</b>		
<b>Merchant Acquisition Services</b>	A payment system operator who enters into a contract with a merchant for the purpose of accepting payment instruments for payment of goods or services.	No applicable exemptions <sup>1</sup> .
<b>Designated Payment Instrument – E-Money Issuance</b>	Issuing any payment instrument, whether tangible or intangible, that stores funds electronically in exchange for funds paid to the issuer and can be used as a means of making payment to any person other than the issuer.	
<b>The Money Services Business Act 2011</b>		
<b>Remittance Services</b>	Facilitating transfer of funds on behalf of an originator in or outside Malaysia with a view to make the funds available to a beneficiary in or outside Malaysia.	No applicable exemptions.

Note 1: The FSA and MSBA do not cover regulated services/activities offered by businesses operating outside Malaysia as long as the services are not targeted towards persons in Malaysia and are carried out wholly outside Malaysia.

## Licensing Scheme

Regulated Services/ Activities	Licensing/ Registration	Minimum Paid-Up Capital		Additional Information	
		Criteria	Requirement		
<b>Merchant Acquisition Services</b>	Register as a merchant acquirer with BNM	The actual or projected amount of the average monthly transaction value	Less than MYR10 million	MYR300,000	/
			More than MYR10 million		
<b>E-Money Issuance Services<sup>1</sup></b>	Obtain BNM approval as an EMI (e-money issuer)	Standard e-money scheme	MYR1 million or 8% of its outstanding e-money liabilities, whichever is higher	A preliminary presentation needs to be made to BNM first to obtain approval to submit an application.	
		Eligible e-money scheme	MYR5 million or 8% of its outstanding e-money liabilities, whichever is higher <sup>2</sup>		
<b>Remittance Services</b>	Obtain a Class B money services business licence from BNM	Business size dependent	MYR2 million (if more than 5 branch offices)	/	

Note 1: Standard and eligible e-money schemes are categorised based on the e-money issuer's active users or the e-money issuer's market share.

Note 2: Outstanding e-money liabilities mean: (a) the unutilised amount of e-money which has been issued; and (b) the utilised amount of e-money which is pending payment to merchants, where for the purpose of calculation of minimum capital funds, the calculation of these liabilities shall be based on the monthly average of outstanding e-money liabilities in the preceding six consecutive months.

## Other Key Licensing Requirements

<b>Local Incorporation/ Premises</b>	Local incorporation required for all (remittance service providers, merchant acquirers, and e-money issuers).
<b>Minimum Capital/ Financial Requirement</b>	Refer to previous section.
<b>Compliance</b>	AML, safeguarding, customer due diligence checks, fit & proper criteria, reporting/notifications to regulators, etc.  Note that the reporting obligations set out under AML Guidelines issued by BNM are not applicable to merchant acquirers, though there are other applicable reporting requirements.
<b>Data Storage/ Localisation</b>	The FSA and the Personal Data Protection Act 2010 (PDPA) do not impose data localisation requirements, nor do they require that data be retained onshore.  However, BNM may impose such requirements on its regulatees as a licensing/ approval/registration condition. In addition, the cross-border transfer of personal data is generally prohibited under the PDPA unless to a jurisdiction approved by the Minister of Communications and Digital or if certain exceptions apply.

## Safeguarding Customer Monies

BNM has set out specific guidelines for maintaining client monies and controls to avoid co-mingling of client monies with licensees' own operating cash:

Safeguarding Method		Liability
<b>Merchant Acquisition Services</b>	<ul style="list-style-type: none"> <li>Funds received for settlement to merchants must be deposited in a dedicated deposit account separately from the licensee's own funds.</li> <li>The funds in the dedicated deposit account shall only be used for settlement purposes.</li> <li>If settlement to small and medium enterprise merchants takes more than 2 days, the acquirer must place the funds in a trust account with a licensed bank.</li> </ul>	The licensee to be fully liable for the safeguarded account balance.
<b>E-Money Issuance Services</b>	<ul style="list-style-type: none"> <li>Funds collected in exchange of e-money issued must be maintained separately in a separate account from other funds including the e-money issuer's working capital or any funds maintained for the e-money issuer's other business or activity.</li> <li>A non-bank e-money issuer must deposit the funds collected in exchange of e-money issued in a trust account with a banking institution.</li> <li>Funds in the trust account must be sufficient to cover the total outstanding e-money liabilities.</li> <li>A non-bank e-money issuer must ensure that it has sufficient liquidity for its daily operations. At a minimum the e-money issuer must maintain a liquidity ratio<sup>1</sup> of one (1).</li> </ul>	
<b>Remittance Services</b>	<ul style="list-style-type: none"> <li>Funds must be maintained in a separate bank account opened in the name of the licensee.</li> <li>The bank account(s) must strictly be used for transactions relating to the remittance services only.</li> </ul>	

Note 1: Liquidity ratio refers to current ratio of the e-money issuer (i.e., current asset/current liabilities).

### Governance with regard to the trust account for e-money issuance services:

A non-bank e-money issuer should deposit the funds collected in exchange for the e-money issued, in a trust account with a licensed institution in a timely manner, which shall be governed as follows:

- a. The trust account shall be established in accordance with the Trustee Act 1949;

- b. The funds can only be used for:
  - i. refund to customers;
  - ii. payment to merchants for settlement of transaction conducted by the customer; or
  - iii. payment to another e-money account or bank account arising from a credit transfer transaction conducted by the customer.
- c. The funds may only be invested in high quality liquid ringgit assets which are limited to:
  - i. Deposits placed with licensed institutions;
  - ii. Debt securities issued or guaranteed by the Federal Government or BNM;
  - iii. Cagamas debt securities; or
  - iv. Other instruments as may be specified by BNM.
- d. Any revenue earned from the investment of the funds in the trust account may be used only for the purposes mentioned in point (b) above unless the funds are in excess of the total outstanding e-money liabilities.
- e. Payment for any costs, charges and expenses incurred in connection with the administration of the trust account can be made from the trust account only if the balance in the trust account after deduction of the cost, charges and expenses is sufficient to cover all outstanding e-money liabilities.

## FX Controls

Transfers of funds into or out of the country are restricted depending on the purpose of the transfer and whether the transfer is conducted between residents and non-residents.

## Common Questions

### 1. Do the licensing requirements apply to Business to Business (B2B) eCommerce platforms?

Yes. Generally, if the platform accepts and processes payment transactions for merchants, which results in a transfer of money/settlement of funds to the merchants without engaging a licensed service provider to facilitate the flows, the licensing requirements will apply.

### 2. Does a foreign payment service provider (PSP) need to be licensed in Malaysia to provide cross-border payment services?

Yes, generally for a foreign PSP that provides payment services to its clients in Malaysia. Both the FSA and MSBA require entities that provide payment services in Malaysia to be incorporated and where relevant licensed or registered with BNM.

However, the FSA and MSBA do not govern foreign PSPs (i.e., with no presence in Malaysia) effecting payments on behalf of their overseas clients to recipients located in Malaysia where the instructions for such payments originate outside Malaysia.

### 3. Are there any key restrictions or thresholds that e-money issuers need to operate within?

Yes, standard and eligible scheme e-money issuers are required to operate within the prescribed wallet limits below. Furthermore, the E-Money Policy Document require all e-money issuers to ensure that transactions conducted in e-money are in Malaysian ringgit.

An e-money issuer must obtain BNM's prior written approval if the increase in wallet limit will result in:

- a. the wallet limit to be MYR5,000 or more; or
- b. change in the functionality and product features of the e-money.

An E-money issuer must notify BNM at least 14 days prior to any increase in wallet limit below the MYR5,000 threshold and where the increase does not involve any changes in functionality and product features of the e-money.

### 4. Can licensees provide any lending or pay interest to their customers in Malaysia?

No, it is not allowed. Furthermore, e-money issuers are not allowed to:

- issue e-money at a discount (i.e., the issue of e-money which is more than the sum received);
- use the funds collected in exchange of e-money issued to extend loans or financing to any person;
- extend credit to the customer or any other person, or pay interest, profit, or any other form of returns on the e-money balances, that would add to the monetary value of the e-money; and
- associate, link or use the e-money scheme or platform to conduct dubious or illegal activities.



# Singapore

## Introduction

In Singapore, the Payment Services Act 2019 (PS Act) provides for the licensing and regulation of payment service providers and the oversight of payment systems by the Monetary Authority of Singapore (MAS). The PS Act replaced the Money-Changing and Remittance Businesses Act and Payment Systems (Oversight) Act and streamlines the regulation of payment services within an activity-based legislation. The PS Act came into force on 28 January 2020.

## Regulated Scope

The PS Act regulates 7 categories of payment services as summarised in the table below, including the provision of services of dealing in or facilitating the exchange of digital payment tokens (DPT). In this guide, we focus on non-DPT related payment services.

Regulated Services/ Activities	Brief Description	Licensing Exemptions (non-exhaustive)
<b>Account Issuance Services</b>	Issuing a payment account to any person in Singapore, or any service relating to any operation required to operate a payment account e.g., issuance of an e-wallet or stored value cards.	<ul style="list-style-type: none"> <li>• Some exemptions are subject to certain conditions. For example:               <ul style="list-style-type: none"> <li>○ If the entity does not allow the withdrawal of any e-money in exchange for any currency from any payment account it issues; and the funds in any payment account it issues do not exceed SGD1,000, among other conditions.</li> </ul> </li> <li>• Providing services only in respect of any limited purpose e-money and/or limited purpose DPTs e.g., loyalty points/programmes or supermarket shopping vouchers.</li> <li>• Providing payment services that are solely incidental to or necessary solely to the business of a financial advisor, insurer, capital markets intermediary or trust company which is licensed, approved, registered, regulated, or exempt in Singapore.</li> <li>• Providing certain technical services to support the provision of any payment service without possession of funds e.g., processing and storing of data, data and entity authentication service, or providing and maintaining any terminal or device used for any payment service.</li> </ul>
<b>Domestic Money Transfer Services</b>	Providing local funds transfer service in Singapore, including payment gateway/kiosk services. Neither payer nor payee is a financial institution and transactions are executed from, by way of, or through a payment account.	
<b>Cross-Border Money Transfer Services</b>	Providing inwards or outwards cross-border funds transfer/remittance services.	
<b>Merchant Acquisition Services</b>	Any service of accepting and processing payment transactions for merchants, which results in a transfer of money to the merchant pursuant to the payment transaction.	
<b>E-Money Issuance Services</b>	Issuing e-money (electronically stored monetary value) for users to make payment transactions.	
<b>Digital Payment Token (DPT) Services</b>	Dealing in DPTs or facilitating the exchange of DPTs; this includes cryptocurrency exchanges, cryptocurrency dealers.	
<b>Money-Changing Services</b>	The service of buying or selling foreign currency notes.	

## Licensing Scheme

Regulated Services/ Activities	Standard/Major Payment Institutions (differentiated by thresholds <sup>1</sup> )		Money- Changing	Additional Information
<b>Account Issuance Services</b>	Any one of the services	Two or more of the services	Not applicable	Major Payment Institutions (MPIs) are subject to higher standard operating criteria e.g., safeguard customers' monies, maintain security with MAS, etc.
<b>Domestic Money Transfer Services</b>				
<b>Cross-Border Money Transfer Services</b>				
<b>Merchant Acquisition Services</b>				
<b>E-Money Issuance Services</b>				
<b>Digital Payment Token (DPT) Services</b>				
<b>Money-Changing Services</b>	Not applicable		The only service	

Note 1: a MPI licence is required if certain thresholds over a calendar year are exceeded, summarised below:

<b>For any one regulated payment service<sup>2</sup></b>	Average monthly payment transaction value.	SGD3 million
<b>For two or more regulated payment services (in aggregate)<sup>2</sup></b>		SGD6 million
<b>For an e-money account issuance service</b>	Average total value in one day of all e-money stored in any payment account issued to persons resident in Singapore and average total value in one day of all e-money that is issued in Singapore, and is stored in any payment account issued to any person whom the licensee has not determined to be resident outside Singapore.	SGD5 million
<b>For an e-money issuance service</b>	Average total value in one day of all e-money issued to persons resident in Singapore or persons whom the licensee has not determined to be resident outside Singapore.	SGD5 million

Note 2: excluding e-money account issuance service, e-money issuance services and money-changing services.

## Other Key Licensing Requirements

<b>Local Incorporation/ Premises</b>	Not required; can be incorporated either in or outside Singapore but must have a permanent place of business or a registered office in Singapore.
<b>Minimum Capital/ Financial Requirement</b>	In the form of base capital (if incorporated in Singapore) or net head office funds (for foreign companies) - SPI <sup>1</sup> : SGD100,000 and MPI: SGD250,000.
<b>Compliance</b>	AML/CFT, technology risk management, outsourcing, safeguarding, user/customer protection (e.g., Guidelines for E-Payments User Protection), fit & proper criteria, notifications to regulators, business conduct, disclosures, etc.
<b>Data Storage/ Localisation</b>	Not required to be retained onshore, although there are requirements for cross-border transfer of personal data under the Personal Data Protection Act 2012.

Note 1: means standard payment institutions

## Safeguarding Customer Monies

MPIs that carry on the business of providing Domestic Money Transfer Services, Cross-Border Money Transfer Services, Merchant Acquisition Services, and/or E-Money Issuance Services are required to have a safeguarding institution which safeguards relevant money e.g., e-money floats or funds in transit. The funds can be safeguarded in one of the following manners (or in any other manner approved by MAS):

Safeguarding Method		Liability
<b>Trust</b>	By depositing the relevant money in a trust account maintained with a safeguarding institution.	All moneys deposited in the trust account will be held on trust by the MPI for its customers.
<b>Undertaking</b>	By an undertaking, from a safeguarding institution, to be fully liable to the customer for the relevant money.	The safeguarding institution to be fully liable to customers for the amount of relevant money.
<b>Guarantee</b>	By a guarantee given by a safeguarding institution for the amount of the relevant money.	

There are certain compliance requirements and conditions for each safeguarding method, and the MPI has to assess and satisfy itself of the suitability of the safeguarding institution. The safeguarding institutions are typically banks in Singapore or finance companies licensed by MAS.

## FX Controls

Generally, there are no foreign exchange regulatory restrictions.

However, licensees must display prominently, to a customer or potential customer, certain specified information relating to the FX rate and fees which licensees offer or charge for a payment transaction before a customer or potential customer uses the service.

## Common Questions

### 1. Do the licensing requirements apply to Business to Business (B2B) eCommerce platforms?

Yes. Generally, if the platform accepts and processes payment transactions for merchants, which results in a transfer of money/settlement of funds to the merchants without engaging a licensed service provider to facilitate the flows, the licensing requirements will apply.

### 2. Does a foreign payment service provider (PSP) need to be licensed in Singapore to provide cross-border payment services?

Yes. Generally, foreign PSPs that provide payment services to its clients in Singapore need to be licensed. However, the question of whether a person is providing a payment service “in Singapore” is fact-specific and assessed on a case-by-case basis. For example, a foreign PSP will be deemed to provide a payment service “in Singapore” if it operates its business providing the payment service in Singapore out of a physical location in Singapore or with employees located predominantly in Singapore.

Unlikely, for foreign PSPs who are simply effecting payments on behalf of their overseas clients to recipients in Singapore. The service of executing payment transactions that are based on certain documents, each being a document drawn on a person with a view to placing money at the disposal of the payee, will be exempted from licensing e.g., cheque and cashier’s order, dividend warrant, remittance receipt, etc.

All PSPs, including foreign PSPs (unless licensed or exempt) are also prohibited from offering to provide, or issuing any advertisement containing any offer to provide, to the public in Singapore or any section of the public in Singapore, any type of payment service, whether in Singapore or elsewhere.

### 3. Are there any key restrictions or thresholds that e-money issuers need to operate within?

Yes, but applicable to MPIs only as summarised below:

Restriction Type	Threshold
<b>E-Money Balance</b>	Total for all personal payment accounts issued by the MPI to the same user does not exceed SGD5,000 (or FCY equivalent) in aggregate.
<b>E-Money Transfers</b>	Total value transferred in a period of one year from all personal payment accounts issued by the MPI to the same user <sup>1</sup> does not exceed SGD30,000 (or FCY equivalent) in aggregate.

Note 1: unless the transfer is to the user's personal deposit account that is either in the name of or designated by that user.

### 4. Can licensees provide any lending or pay interest to their customers in Singapore?

No, it is not allowed. A licensee must not carry on a business of granting any credit facility to any individual in Singapore. Furthermore, e-money issuers are not allowed to lend any customer money, and must not use any customer money, or any interest earned on any customer money, to finance any business carried on by them.



# South Korea

## Introduction

In South Korea, the Electronic Financial Transactions Act (EFTA) regulates digital payment services under the framework of electronic financial services. Those engaged in electronic financial services must be licensed or registered as an electronic financial business (EFB) entity with the Financial Services Commission (FSC).

If the payment services involve foreign exchange activities defined under the Foreign Exchange Transactions Act (FETA), then registration as a foreign exchange business (FEB) with the Ministry of Economy and Finance (MOEF) is required. If the provision of payment services constitutes a mail order business or includes value added telecommunications services, the provider needs to file a report separately with the relevant authority.

## Regulated Scope

The table below summarises key regulated scope of payment and stored value related services under EFTA and FETA. Information related to electronic bond transactions regulated under EFTA is not included.

Regulated Services/Activities	Brief Description	Licensing Exemptions (non-exhaustive)
<b>Electronic Financial Transactions Act</b>		
<b>Issuance and Management of Electronic Currency</b>	Any certificate, or information on such certificate, issued with transferable monetary values stored by electronic means that can be: <ul style="list-style-type: none"> <li>Used at 2 or more metropolitan local governments and 500 or more merchants.</li> <li>Used to purchase goods or services from third party other than the issuer.</li> <li>Used to purchase goods or services of at least 5 business categories<sup>1</sup>.</li> <li>Issued in exchange for the same value of cash or deposits.</li> <li>Exchanged for cash or deposits under guarantee of the issuer.</li> </ul>	No applicable exemption.
<b>Electronic Fund Transfer Services</b>	Any transfer of funds by any of the following methods from an account opened with a financial company <sup>2</sup> or an EFB entity (limited to any account linked to a financial company) to another account through electronic devices for the purpose of transferring funds between a payer and a payee: <ul style="list-style-type: none"> <li>A payment request made by a payer to a financial company or an EFB entity.</li> <li>A collection request made by a payee to a financial company or an EFB entity.</li> </ul>	No applicable exemption.
<b>Issuance and Management of Electronic Debit Payment Means</b>	Any certificate (excluding any certificate available for loans), or information on such certificate, issued by a financial company or an EFB entity to simultaneously supply goods/services and pay the prices by transferring funds from the account of a financial company between a user and a merchant by electronic means.	No applicable exemption.
<b>Electronic Payment Settlement Agency Service</b>	Any service to transmit or receive payment settlement information in purchasing goods or using services by electronic means or to execute as an agent or mediate the settlement of prices.	If the service provider delivers information only for the electronic processing of electronic payment transactions without direct involvement in the transfer of funds.

Note 1: The business categories refer to mid-classification business categories in the Korean Standard Industrial Classification provisioned under the Statistics Act.

Note 2: Financial companies classified under Article 38 of the Act on the Establishment, Etc. of the Financial Services Commission (e.g., duly licensed banks/insurance companies/credit financing companies).

Regulated Services/Activities	Brief Description	Licensing Exemptions (non-exhaustive)
<b>Electronic Financial Transactions Act</b>		
<b>Issuance and Management of Electronic Prepayment Means (i.e., Stored Valued Facility)</b>	<p>Any certificate, or information on such certificate, issued with transferable monetary values stored by electronic means, meets all of the following requirements:</p> <ul style="list-style-type: none"> <li>• Can be used to purchase goods or services from a third party other than the issuer, and</li> <li>• Can be used to purchase goods or services in at least 2 business categories.</li> </ul> <p>Note: This shall not include any electronic currency.</p>	<p>If any of the following criteria are met<sup>3</sup>:</p> <ul style="list-style-type: none"> <li>• All merchants that accept the electronic prepayment means are located in one basic municipality or one building/place of business.</li> <li>• Less than 10 merchants accept the electronic prepayment means.</li> <li>• The total balance issued does not exceed KRW3 billion; or</li> <li>• When users do not directly pay in advance, the service provider has received payment guarantees from certain financial institutions such as banks or has secured redemption guarantee insurance (or mutual aid equivalent) for all the non-refunded value of the electronic prepayment means.</li> </ul>
<b>Other Electronic Financial Services</b>	<p>Any electronic financial service which provides or receives funds in connection with electronic financial transactions or provide or receive funds on behalf of others and falls under any of the following:</p> <ul style="list-style-type: none"> <li>• Receive deposits for settlement of the price of goods under the Act on the Consumer Protection in Electronic Commerce<sup>4</sup>, etc.</li> <li>• Notify the payer regarding the details of the funds to be paid by the payer to the payee on behalf of the payee by electronic means; issue or receive the funds directly and execute the settlement of such funds on behalf of others.</li> </ul>	<p>No applicable exemption.</p>
<b>Foreign Exchange Transactions Act</b>		
<b>Foreign Exchange</b>	<p>If the provision of payment services involves foreign exchange, including but not limited to:</p> <ul style="list-style-type: none"> <li>• The issuance or purchase and sale of foreign exchange.</li> <li>• Payment, collection and receipt between South Korea and a foreign country.</li> <li>• Deposits, lending and borrowing of money, or guarantee with residents that is denominated in or paid for with foreign currency.</li> <li>• Deposits, lending and borrowing of money or guarantee with non-residents.</li> </ul>	<p>No applicable exemption.</p>

Note 3: the criteria are as prescribed by the Enforcement Decree of the Electronic Financial Transactions Act.

Note 4: In the Act of Consumer Protection in Electronic Commerce, the consumer is defined per the scope of the E-Commerce Act, which in principle applies to both B2C (business to consumer) and P2C (platform to consumer) transactions. However, the E-Commerce Act may also apply to B2B (business to business) transactions in cases where a business is purchasing goods or services as an end-consumer (i.e., for its own use and not as a reseller/intermediary or distributor, etc.).

## Licensing Scheme

From a licensing/registration perspective, to provide the regulated electronic financial services, the company needs to be a stock company with a capital of at least KRW5 billion. Other types of companies can register as an EFB to provide such services except for the issuance and management of electronic currency. The minimum capital requirements vary by the type of services. If the provider intends to provide multiple services, the aggregated capital requirements apply but does not exceed KRW5 billion.

Regulated Services/Activities - Electronic Financial Business (EFB)	Licensing/Registration	Minimum Capital	Eligible Type of Companies
Issuance and Management of Electronic Currency	Licensed by FSC	KRW5 billion	Stock company
Electronic Fund Transfer Services	Registered with FSC	KRW3 billion	Formed under Article 170 of the Commercial Act
Issuance and Management of Electronic Debit Payment Means		KRW2 billion	
Electronic Payment Settlement Agency Service <sup>1</sup>		KRW300 million or KRW1 billion	Formed under Article 170 of the Commercial Act or Article 32 of the Civil Act
Issuance and Management of Electronic Prepayment Means (i.e., Stored Valued Facility)		KRW2 billion	Formed under Article 170 of the Commercial Act or a special Act
Other Electronic Financial Services <sup>1</sup>		KRW300 million or KRW500 million	Formed under Article 170 of the Commercial Act or Article 32 of the Civil Act

Note 1: Higher threshold applies to the EFB entity that facilitates more than KRW3 billion electronic financial transactions per quarter.

Regulated Services/Activities - Financial Exchange Business (FEB)	Licensing/Registration	Minimum Capital
<b>Type 1 FEB:</b> Engage in the payment or receipt of funds between South Korea and a foreign country, and the purchase/sale of foreign currencies is incidental.	Registered as a FEB and as a non-financial company <sup>1</sup> with MOFE	KRW1 billion
<b>Type 2 FEB:</b> Engage in foreign exchange activities directly related to the provision of electronic financial services under the EFTA.		Not specified; prior registration as an EFB entity is the pre-requisite

Note 1: Companies that are not classified as financial companies under Article 38 of the Act on the Establishment, Etc. of the Financial Services Commission (e.g., duly licensed banks/insurance companies/credit financing companies).

## Other Key Licensing Requirements

Local Incorporation/Premises	Required.
Minimum Capital/Financial Requirement	Refer to previous section.
Compliance	AML/CFT, financial soundness requirements (e.g., debt to equity ratios), personnel and IT/security requirements, customer due diligence requirements, etc.
Data Storage/Localisation	Required to be retained onshore; cross-border access of data is subject to South Korean data privacy laws.

## Safeguarding Customer Monies

There is no specific safeguarding requirement for customer funds in place. That said, an electronic financial business entity is required to keep separate accounts by the category of businesses it provides (e.g., electronic fund transfer, issuance and management of electronic debit means, etc.) to analyse the business performance related to fund management and electronic financial transactions.

The EFB entity also needs to prepare a report on the business relating to electronic financial transactions and the outcomes of management and submit it to the FSC. The FSC may set the standards to direct the sound management of electronic financial business, including but not limited to standards for holding equity capital, for holding current assets against current liabilities, maintaining specific liquidity ratios, etc.

## FX Controls

Under the Foreign Exchange Transactions Act, most transactions involving foreign exchange do not require approval or reporting with a few exceptions. Generally, there are no restrictions on receiving foreign currencies from outside Korea and neither for payments to foreign companies though submission of documents clarifying the reasons for payment may be required.

Additionally, some payments such as payments for capital transactions require prior confirmation of or notification to the Bank of Korea. A FEB entity needs to comply with regulatory requirements and notify accordingly as required.

## Common Questions

### 1. Do the licensing requirements apply to Business to Business (B2B) eCommerce platforms?

Yes. Generally, if the platform accepts and processes payment transactions for merchants, which results in a transfer of money/settlement of funds to merchants without engaging a licensed service provider to facilitate the flows, the licensing requirements will apply.

### 2. Does a foreign payment service provider (PSP) need to be licensed in South Korea to provide cross-border payment services?

Yes. Generally, foreign PSPs that provide payment services to their clients in South Korea need to be licensed. However, the question of whether a person provides a payment service in South Korea is fact-specific and will be assessed by relevant authorities on a case-by-case basis.

Unlikely, for foreign PSPs who are simply effecting payments on behalf of their overseas clients to recipients in South Korea. That said, in South Korea, the definition of foreign exchange affairs in South Korea is broadly construed to include payment, collection and receipt of funds, denominated in any currency, between South Korea and a foreign country. Therefore, the foreign PSP may be deemed to be engaging in the business of foreign exchange affairs, thereby triggering the FEB registration requirement if it provides the service of receiving money from outside South Korea for, or arranging for the receipt of money from outside South Korea by, any person in South Korea.

### 3. Are there any key restrictions or thresholds that e-money issuers need to operate within?

Yes, the FSC may require an EFB entity to set the following limits or take necessary measures:

Restriction Type	Limit
The upper limit of the face value of issued electronic currency	KRW2 million
The upper limit of the face value of issued electronic prepayment means	KRW0.5 million
The limit of use of electronic fund transfer	Determined by FSC
The limit of use of electronic debit payment means	<KRW100 million; determined by FSC
The upper limit of cash withdrawal from electronic devices/means	Determined by FSC

### 4. Can licensees provide any lending or pay interest to their customers in South Korea?

No, it is not allowed. Extending credit/lending or paying interests is a regulated financial activity and requires separate licensing such as being licensed as a bank or a credit company.



# Taiwan

## Introduction

In Taiwan, engaging in payment services requires prior approval from the Taiwan Financial Supervisory Commission (FSC). In addition, whether specific rules and regulations apply depends on the types of payment businesses.

In general, payment businesses are classified into three types: (1) electronic payment institutions (EPI); (2) credit card companies, and (3) third party payment enterprises. All payment businesses except for third party payment enterprises, need to obtain prior approval from FSC. Additionally, they all need to register with the Ministry of Economic Affairs (MOEA) as part of company registration requirements.

## Regulated Scope

Key acts and regulations governing different types of payment service businesses are summarised below:

Regulated Services/ Activities	Brief Description	Licensing Exemptions (non-exhaustive)
<b>The Act Governing Electronic Payment Institutions</b>		
<b>Electronic Payment Institutions (EPIs)</b>	<ul style="list-style-type: none"> <li>Operate the following types of businesses:               <ol style="list-style-type: none"> <li>Collect and make payments for real transactions as an agent.</li> <li>Receive stored funds<sup>1</sup>.</li> <li>Engage in domestic and foreign small amount remittances business<sup>2</sup>.</li> <li>Engage in buying and selling foreign currencies and currencies issued by Mainland China, Hong Kong and Macau related to the businesses classified above (1-3).</li> </ol> </li> <li>Only institutions engaging in the business type 1 may engage in the business type 2 or 3.</li> <li>Not allowed to engage in businesses not yet approved by FSC.</li> <li>May engage in related businesses approved by FSC (defined as specialised EPIs) e.g., provide shared terminal devices for contracted institutions, custody of payments for product (service) gift certificates, reward points integration and redemption for real transactions, etc.</li> <li>For FX and remittance business, need to comply with the regulations of the Central Bank.</li> </ul>	<ul style="list-style-type: none"> <li>If the total average daily balance of funds collected/paid as an agent over a one-year period does not exceed NTD2 billion and does not engage in business type 2-4.</li> <li>Non-EPIs may engage in business type 3 with migrant workers subject to the FSC approval in consultation with the Central Bank and the Ministry of Labor.</li> </ul>
<b>Regulations Governing Institutions Engaging in Credit Card Business</b>		
<b>Credit Card Companies<sup>3</sup></b>	Operate credit card businesses e.g., issue credit cards, revolving credit, and cash advance via credit cards, contracting with merchants, pay or collect bills via credit card on behalf of merchants, authorisation of the use of trademarks/service mark on credit cards, services related to the authorisation or settlement of credit card transactions.	No applicable exemption.
<b>Regulations Governing AML and Countering the Financing of Terrorism for the Third-Party Payment Enterprises</b>		
<b>Third Party Payment Enterprises (TPPEs)</b>	<ul style="list-style-type: none"> <li>Not an EPI as defined above and provides only collection and payments for online real transactions as an agent.</li> <li>The total average daily balance of funds collected/paid as an agent over a one-year period is below NTD2 billion.</li> </ul>	Exempt from approval/licensing.
<b>Regulations Governing Cooperating with or Assisting Foreign Institutions in Engaging in Activities Associated with Electronic Payment Business within Taiwan</b>		
<b>Cross-Border Money Transfer Services<sup>4</sup></b>	An EPI, a bank (not engaging in electronic payment business concurrently) or a data processing service provider involving in cross-border money transfers for real transactions online or offline, FX settlement/FCY remittance, etc.	No applicable exemption.

Note 1: Funds deposited by the payer in advance and users can pay for multiple types of payments; this can be done through a physical or non-physical instrument.

Note 2: Fund transfers below a certain amount that are not based on actual transactions.

Note 3: If EPIs and TPPEs offers its users to pay by credit cards, credit card companies will require them to follow the rules set out in the "Self-Regulatory Standards of Credit Card Acquirers Executing Contracts with 'Payment Collection Platform Service Providers' as Merchants

Note 4: If TPPEs want to engage in cross-border money transfer services, they will need to apply to be an EPI first.

## Licensing Scheme

Key licensing/registration information is summarised below. Engaging in cross-border money transfers and FX business will require separate approval from either the FSC or the Central Bank.

Regulated Services/ Activities	Minimum Paid-Up Capital				Approval?
<b>Electronic Payment Institutions (EPIs)</b>	Required if to provide below services:	NTD500 million	NTD300 million	NTD100 million	Yes, from FSC <sup>1</sup> (before applying for the licence)
	Collect and make payments for real transactions as an agent	Y	Y	Y	
	Receive stored funds	Y	Y	N	
	Engage in domestic and foreign small amount remittances business	Y	N	N	
<b>Credit Card Companies</b>	NTD200 million <sup>2</sup>				
<b>Third Party Payment Enterprises (TPPEs)</b>	N/A				No, file the corporate registration with MOEA

Note 1: If the line of business requires approval from another government authority in charge of certain industries, such approval needs to be obtained before seeking approval from FSC.

Note 2: Can be paid-in capital, contributions, and earnings thereafter or designated operating funds depending on the types of companies.

### Other Key Licensing Requirements

<b>Local Incorporation/ Premises</b>	Required for EPIs, credit card companies and third-party payment enterprises.
<b>Minimum Capital/ Financial Requirement</b>	Refer to previous section.
<b>Compliance</b>	Internal control and audit system, security standards, AML, business conduct, reporting obligations, etc.
<b>Data Storage/ Localisation</b>	EPIs and credit card companies are required to retain information onshore unless otherwise approved by FSC. There are no such specific requirements for TPPEs. In addition, cross-border transfer of personal data is subject to (i) the Personal Data Protection Act, and (ii) the FSC's approval if it involves regulated cross border outsourcing (to the extent applicable).

## Safeguarding Customer Monies

Key requirements for safeguarding customer monies are summarised below. For EPIs and TPPEs, the trust approach is more commonly used in Taiwan instead of the guarantee approach.

Regulated Services/ Activities	Key Requirements	
<b>Electronic Payment Institutions (EPIs)</b>	Dedicated deposit account	<ul style="list-style-type: none"> <li>Open with the bank in the same currency of user funds to deposit user funds<sup>1</sup>.</li> <li>The funds in the dedicated deposit account can only be drawn according to instructions from users or for investment purposes approved by the regulator.</li> </ul>
	Trust or guarantee	For user funds and for funds collected/paid as an agent, a trust agreement with the bank is required to be put in place and designate the dedicated deposit account as the trust account OR obtain a full performance guarantee agreement with a bank.
	Reserves <sup>2</sup>	When user funds reach certain amount, sufficient reserve, prescribed by the regulator, will be required.
	Investment	<p>The regulator will define the percentages on:</p> <ul style="list-style-type: none"> <li>The types of instruments the funds in the dedicated deposit account can be used to: place as bank deposit, purchase government bonds, treasury bills, negotiable certificates of deposit, etc.</li> <li>The interest or the income earned from the above activities to be paid back to users<sup>3</sup> or used for other approved proposes.</li> </ul> <p>When the total value of funds received from users is below the original amount of investment, topping up the shortfall is required.</p>
<b>Credit Card Companies</b>	Set aside bad debt reserves which are 2%, 50% and 100% of total advances if the monthly minimum payment is delayed respectively by 1-3 months, 3-6 months or beyond 6 months.	
<b>Third Party Payment Enterprises (TPPEs)</b>	TPPEs who receive credit card settlement on behalf of the contracted merchants from the card acquirer need to place the funds in trust unless the contract performance by merchant is fully guaranteed by a bank.	

Note 1 means funds, including collected or paid as an agent, received from users.

Note 2: for further information, please refer to the "Regulations Governing the Organisation and Administration of Sinking Fund Established by Electronic Payment Institutions".

Note 3: EPIs are required to reward users if EPIs have earned the income or interest from the investment made from the funds deposited by users, However, this is a reward mechanism and is different than paying interests to users, which requires separate licensing or registration as a bank to do so.

## FX Controls

Cross-border remittances and foreign exchange transactions are highly regulated in Taiwan and only a licensed bank or a licensed electronic payment institution can provide such services or otherwise provided by laws.

## Common Questions

### 1. Do the licensing requirements apply to Business to Business (B2B) eCommerce platforms?

Yes. Generally, if the platform accepts and processes payment transactions for merchants, which results in a transfer of money/settlement of funds to the merchants without engaging a licensed service provider to facilitate the flows, the licensing requirements will apply.

### 2. Does a foreign payment service provider (PSP) need to be licensed in Taiwan to provide cross-border payment services?

Yes. Generally, the provision of payment services on a cross-border basis to clients in Taiwan will trigger the licensing requirements and the same applies to foreign PSPs who pay on behalf of their overseas clients to recipients in Taiwan.

Licensing will not be required if foreign PSPs partner with local licensed providers to pay on behalf of their overseas clients to recipients in Taiwan. The local licensed providers need to get FSC approval before operating such flows and file the fact to both FSC and the Central Bank when adding other partner institutions from the same currency or region, etc.

### 3. Are there any key restrictions or thresholds that EPIs need to operate within?

Yes, cash payments are not allowed, for instance, cash refunds and cash withdrawals. Users can only withdraw the funds into a same-name same-currency deposit account or transfer to a contracted institution (same-name same-currency account principle applies). That said, cash deposit or cash payment for real transactions through approved third parties is possible. For example, according to FSC ruling in 2015 (No. 10440003620), an EPI could receive cash deposit or cash payment via convenience stores for real transactions.

FSC also regulates EPI's identity verification mechanism and transaction amount limits for both users and contracted institutions, which are summarised below. Please refer to the Regulations Governing Identity Verification Mechanism and Transaction Amount Limits of Electronic Payment Institutions for further details.

#### For users

- Users can be individual or non-individual.
- The type of e-payment account is differentiated by the extent of identity verification required.

Max Stored Value Funds and Transaction Amount Limits		E-Payment Account		
		Type 1	Type 2	Type 3
Cumulatively per month for real transactions (collection and payment respectively)		Not imposed	NTD300,000	NTD30,000 <sup>1</sup> (payment only, collection not allowed)
Max balance of stored value funds		NTD100,000	NTD50,000	NTD10,000
For domestic and foreign small amount remittances	Per transaction	NTD100,000	NTD50,000	Not imposed
	Cumulatively per month (collection and payment respectively)	NTD1 million (individual) NTD10 million (non-individual)	Not imposed	10,000 <sup>2</sup> (collection only, payment not allowed)
Where the accounts are settled in NTD, the max cumulative amount per week		NTD500,000 (FX purchases/sales calculated separately)		

Note 1: EPIs may raise up to NTD100,000 depending on its risk appetite or users' actual need, however, the cumulative transaction amount per year shall not exceed NTD360,000 or its equivalent.

Note 2: Only to receive remittance from a lineal relative or guardian and from the accounts they opened with the same EPIs.

Additionally, for stored value cards:

Max Stored Value Funds and Transaction Amount Limits		Stored Value Card
Max funds balance for each stored value card		NTD10,000
Cumulative payment amount per month in online transactions	Per registered stored value card	NTD30,000
	If the user has two or more stored value cards with the same EPI	NTD30,000 (sum of all stored value cards)
The transaction amount of a stored value card linked to an electronic payment account		Sum of the transaction amount in the stored value card and the e-payment account should not exceed the limit for e-payment account

#### For contracted institutions

- Contracted institutions can be individual or non-individual.
- The type of contracted institutions is differentiated by the extent of identity verification required.

Max transaction amount limits	Contracted Institutions	
	Type 1	Type 2
The collection amount for cumulative payment collection received and made for real transactions per month	Not imposed	NTD300,000 <sup>1</sup>

Note 1: EPIs may raise up to NTD500,000 depending on its risk appetite or users' actual need. However, the cumulative transaction amount per year shall not exceed NTD3.6 million or its equivalent.

#### 4. Can licensees provide any lending or pay interest to their customers in Taiwan?

No, it is not allowed. Lending or paying interests to users or contracted institutions are not allowed as such activity will trigger separate licensing/registration requirements i.e., registration as a bank.



# Thailand

## Introduction

The Payment Systems Act (PSA) came into effect in April 2018 and empowers the Ministry of Finance (MoF) and the Bank of Thailand (BoT) to regulate and supervise systemically important payment systems, regulated payment systems, and regulated payment services.

The PSA reclassifies payment systems and services into (1) highly important payment systems; (2) designated payment systems and (3) designated payment services. Under the PSA, service providers are required to register or apply for licences to conduct payment services.

## Regulated Scope

The 3 broad categories of payment systems/services regulated under the PSA are:

1. **Highly Important Payment Systems:** such as inter-bank large value funds transfer systems (BAHTNET) and Imaged Cheque Clearing and Archive System (ICAS) that are established and operated by the BoT.
2. **Designated Payment Systems:** such as inter-institution fund transfer systems, payment card network, settlement system, etc. These systems operate as the centre or network between system users to handle funds transfer, clearing or settlement.
3. **Designated Payment Services:** such as the provision of services relating to cards, electronic money, acquiring, electronic money transfers, etc.

In this guide, we focus on designated payment systems and designated payment services.

Regulated Services/Activities	Brief Description	Licensing Exemptions (non-exhaustive)
<b>Designated Payment Systems under the PSA</b>		
<b>Inter-Institutional Fund Transfer System</b>	A switching centre or a network that sends/receives transactions between members or provide clearing services to enable members to provide deposit, withdrawal, fund transfer and payment services to their customers.	Services provided by a state agency i.e., a ministry, bureau, department, government agency, provisional administration, local administration, independent public agency, etc.
<b>Payment Card Network</b>	A switching or a network that sends/receives card or e-money payment transactions between members and provides clearing/marketing services to enable the members i.e., card issuers and acquirers in Thailand to provide payment services from such cards.	
<b>Settlement System</b>	Providing settlement services to members by deducting/adjusting from the deposit account of the system members who are debtors/creditors, etc.	
<b>Regulated Payment Services under the PSA</b>		
<b>Debit Card, Credit Card or ATM Card Issuing</b>	Issuing debit, credit, or ATM cards.	Such services used to pay for goods, services, or other charges of its own business or within the same franchise.
<b>Electronic Money (E-Money)<sup>1</sup></b>	Issuing prepaid stored value cards or e-wallets used to pay for goods, services, or other charges and e-money can be recorded in Thai Baht or foreign currency.	<p>A few examples under the Notification re: Stipulation on Designated Payment Services</p> <ul style="list-style-type: none"> <li>• To a single merchant/service provider</li> <li>• For food or beverage at a food centre</li> <li>• To multiple merchants/service providers whose 6-month average balance of money received in advance is less than THB50 million, provided: <ul style="list-style-type: none"> <li>i. Goods and services are of a specific single type pre-defined in advance or within the same franchise</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>ii. Merchants located within the same location or vicinity</li> <li>iii. Merchants in which the service provider holds &gt;50% shares; or</li> <li>• For digital content<sup>2</sup></li> </ul>
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Note 1: need to comply with the BoT Notification Re: Regulation on Undertaking Electronic Money Service Business and applicable rules/guidelines issued under

Note 2: this service is under the supervision of the National Broadcasting and Telecommunication Commission (NBTC)

Regulated Services/Activities		Brief Description	Licensing Exemptions (non-exhaustive)
<b>Fund Transfer</b>		Receiving money from a service user and subsequently transfer to a receiver; this includes transfers between bank accounts and remittance without bank accounts, regardless of whether it is a domestic or cross-border transfer.	Such services provided by state agencies or cooperatives.
<b>Payment Acceptance<sup>3</sup></b>	<b>Acquiring</b>	Accepting card payments by sending/receiving payment transactions to/from payment card networks	<ul style="list-style-type: none"> <li>• Receiving or paying for goods, services, or other charges within own business.</li> <li>• Acquiring service that accepts its own issued cards.</li> <li>• Payments for digital content supervised by NBTC.</li> </ul>
	<b>Payment Facilitation</b>	Accepting card payments by sending/receiving payment transactions to/from acquiring business providers or other payment facilitating providers	
	<b>Accepting Payment on behalf</b>	Accepting non-card payment instruments such as e-money and bank account.	

Note3: Appointed by merchants, service providers or creditors to accept payments on their behalf with an obligation to pay them

## Licensing Scheme

Operation of the service models or payment services below requires a licence from the MoF or registration with the BoT unless exemptions apply. If the payment service is an innovation involving a new technology and is in the testing phase or offered to a closed group of users without any impact on the public payment systems/interests, such services are only required to be registered with the BoT.

From a licensing perspective, service providers can apply to operate multiple services, but need to take note of the minimum paid-up capital requirements summarised below, where the highest paid-up capital requirement amongst the relevant services to be undertaken will apply.

Regulated Services/Activities		Minimum Paid-Up Capital	Paid-Up Capital Exemption
<b>Regulated Payment Systems</b>	<b>Inter-Institutional Fund Transfer System</b>	THB50 million	If a service provider is a financial institution, a branch of a foreign commercial bank, a specialised financial institution, or a state enterprise, it will be exempted from the minimum paid-up capital requirement.
	<b>Payment Card Network</b>	THB50 million	
	<b>Settlement System</b>	THB200 million	
<b>Regulated Payment Services</b>	<b>Debit Card, Credit Card or ATM Card Issuing</b>	THB100 million	
	<b>E-Money</b>	THB100 million	
	<b>Fund Transfer</b>	THB10 million	
	<b>Payment Acceptance</b>	<b>Acquiring</b>	THB50 million
<b>Payment Facilitation</b>		THB10 million	
<b>Accepting Payment on behalf</b>		THB10 million	

## Other Key Licensing Requirements

<b>Local Incorporation/ Premises</b>	Required to be incorporated as a limited company, a public limited company, a financial institution, a specialised financial institution or a state enterprise or a branch of a foreign commercial bank.
<b>Minimum Capital/ Financial Requirement</b>	Refer to previous section.
<b>Compliance</b>	AML/CFT/CPT (combating proliferation financing), risk management, user/customer protection, fit & proper, notifications to regulators, business conduct, etc.
<b>Data Storage/ Localisation</b>	Not required to be retained onshore although cross-border transfer of personal data is subject to the Personal Data Protection Act.

## Safeguarding Customer Monies

Licensed and registered payment service providers who receive money in advance from their customers in the operation of their regulated payment services are required to retain customers' money in a bank account which is separate from their working capital. In addition, accurate accounting records need to be maintained and outstanding money received from customers need to be reported to the BoT every month.

Additionally, under the BoT Notification Re: Regulation on Undertaking Electronic Money Service Business, licensed and registered e-money service providers must maintain money received in advance from their customers at the commercial banks or specialised financial institutions at any time no less than outstanding balance of money received in advance. The money must be free from any obligations and must be utilised only for settlement relating to the provision of e-money. The name of the deposit account must be clearly specified as the deposit account for money received in advance of the e-money service provider for the benefit of protection of money received in advance according to the law governing payment systems.

## FX Controls

While the PSA does not distinguish between domestic or cross-border payment services, foreign exchange regulations may still apply for cross-border payment services. Examples of certain activities that may be subject to FX controls and licensing requirements include but are not limited to:

- Receiving foreign currency from overseas to pay TH currency to recipients in Thailand;
- Remitting foreign currency to recipients abroad as instructed by senders in Thailand;
- Foreign currency e-money service for customer payments for cross-border goods and services; and
- If payment services involve selling foreign currency notes to travellers, an additional money-changing licence is required.

## Common Questions

### 1. Do the licensing requirements apply to Business to Business (B2B) eCommerce platforms?

Yes. Generally, if the platform accepts and processes payment transactions for merchants, which results in a transfer of money/settlement of funds to the merchants without engaging a licensed service provider to facilitate the flows, the licensing requirements will apply.

### 2. Does a foreign payment service provider (PSP) need to be licensed in Thailand to provide cross-border payment services?

Yes, licensing requirements would still apply for foreign PSPs that provide services to clients in Thailand, regardless of whether the services are provided onshore or on a cross-border basis.

Depends, licensing requirements are not applicable to foreign PSPs who only effect payments on behalf of their overseas clients to recipients in Thailand provided that: (a) a local service provider with a fund transfer licence and applicable payment service licences is used for the settlement; and (b) no other services are provided to such recipients or merchants.

### 3. Are there any key restrictions or thresholds that e-money issuers need to operate within?

Yes, e-money businesses must not have characteristics of a credit business. A maximum value of e-money allowed to be used for each card or each account must be set by the licensed or registered e-money service provider. Although the relevant BoT notifications do not provide a comprehensive regime on e-money issuance, the features and details of the use of e-money will be reviewed by the BoT in the licensing or registration application stage. The proposed features which may pose a risk to the credibility of the service provider, the risk management, the information technology security, and the customer protection may not be permitted and/or may require further adjustments or justifications with the BoT.

### 4. Can licensees provide any lending or pay interest to their customers in Thailand?

No, it is not allowed. E-money businesses are not allowed to extend credit (lending) or pay interest or interest-like incentives to e-money users. The same principle applies to licensed providers of other regulated payment services and payment systems, because extending credit/lending is a separate activity/service model.

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## Special thanks to

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