

Memo

To	Lim HongZhuang	From	Mohammed Reza, Grace Chong
		Date	10 February 2020
		Our ref	MRZ/GSLC
Subject	Licensing assessment	Client	ShuttleOne Pte Ltd

1. OVERVIEW

- 1.1 Shuttle One Pte. Ltd. ("**ShuttleOne**") operates a e-wallet platform that facilitates the provision of fiat loans in the context of trade finance and assists with crypto-fiat money exchange and transfer services. For this purpose, ShuttleOne leverages the multi-collateral DAI ("**MCD**") system as described below.
- 1.2 We note that when the Payment Services Act (No. 2 of 2019) (the "**PS Act**") comes into effect in January 2020, entities which operate a "digital payment token service" of either dealing in digital payment tokens¹ ("**DPTs**") or facilitating the exchange of DPTs in Singapore will have to obtain a payments services licence.
- 1.3 ShuttleOne facilitates the trading of DAI both in Singapore and in other jurisdictions in the context of its business and therefore will be required to obtain a payment services licence to conduct DPT services, as DAI is likely to be characterised as a DPT.²
- 1.4 As Shuttleone will be enabling users to redeem and pay for vouchers by DAI to get items (eg. rice) from a catalogue which are offered at rebate prices using DAI balances, ShuttleOne will likely be characterised as carrying out merchant acquisition activities, as the payments of merchants may be characterised as 'payment transactions', given payments made to merchants are ultimately made through money transfers (and not purely DPT transfers).
- 1.5 However, given that the payment transactions are in DAI, ShuttleOne is likely not characterised as conducting account issuance and e-money issuance services, given that the payment transactions appear to be tied to DAI, a DPT, and not any fiat balances. However, given that the merchants are ultimately paid in fiat (since ShuttleOne exchanges DAI to fiat on their behalf), we note that MAS may adopt a

¹ "digital payment token" means any digital representation of value (other than an excluded digital representation of value) that

(a) is expressed as a unit;

(b) is not denominated in any currency, and is not pegged by its issuer to any currency;

(c) is, or is intended to be, a medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt;

(d) can be transferred, stored or traded electronically; and

(e) satisfies such other characteristics as the Authority may prescribe.

² Please see separately our separate analysis of DAI issued on 29 January 2020.

different view in practice of the whole arrangement. As such we recommend that MAS be consulted to clarify this point as to whether ShuttleOne will need to be licensed for these activities.

- 1.6 In addition, as we have noted in our analysis of DAI, MAS has expressly highlighted a gap in the market in paragraph 3.6 of the MAS Consultation on the Payment Services Act 2019: Scope of E-money and Digital Payment Tokens (the “**Consultation**”), where MAS noted that there are stablecoins where *“issuers may be able to secure trust even without stablecoin holders having a claim on the issuer or redemption rights, perhaps by ensuring that a market always exists for holders to redeem for fiat currency. The certainty with which stablecoin holders are able to redeem for fiat currency may also vary, e.g. market liquidity for holders to redeem for fiat currency may tighten in times of crisis.”*
- 1.7 As such there may be amendments to include stablecoins without central issuers in the scope of debentures or e-money in the future, depending on their consideration in the course of the Consultation. ShuttleOne should closely monitor the progress of this Consultation which may affect how its operations are characterised.
- 1.8 As ShuttleOne will not be carrying out money-changing services, as these will be supported by its remittance partners in the jurisdictions where it operates, it is not likely that ShuttleOne will be characterised as carrying out such services.
- 1.9 We understand that ShuttleOne will only be facilitating the DAI loans, by assessing the value of collateral and facilitating the debt assessment process. However, as the collateral will be assigned to ShuttleOne in practice, ShuttleOne may be characterised as a moneylender in this context. However, as only companies will be permitted to obtain loans, ShuttleOne will constitute an ‘excluded moneylender’ in this context and will not likely be required to obtain a moneylender licence pursuant to the Moneylenders Act (Cap. 188) (“**MLA**”) for such activity.
- 1.10 We understand that corporate credit information will not be collected by ShuttleOne directly from banks to facilitate loan underwriting decisions, and ShuttleOne will only offer DAI loans to corporates. As such, it is unlikely that the Credit Bureau Act 2016 (No. 27 of 2016) (“**CBA**”) will apply to ShuttleOne.
- 1.11 In terms of compliance requirements, based on our review of ShuttleOne’s operational model, we are of the view that:
 - in future when the PS Act comes into effect, if the anti-money laundering (“**AML**”) requirements under the PSN02 – Notice to Payment Service Providers (Digital Payment Token Service) (“**PSN02**”) will apply to ShuttleOne;
 - in order to satisfy the above requirements, we advise ShuttleOne to conduct the AML risk-based analysis of its clients and ensure that there are intra-group policies in place for information-sharing of the required data, documents, or information for ShuttleOne to fulfil its regulatory obligations in Singapore;
 - notwithstanding the above, ShuttleOne should still have policies and procedures with regard to the monitoring of transactions and the reporting of any suspicious transactions;
 - we note that ShuttleOne will have reporting obligations for suspicious activities and incidents of fraud;

- ShuttleOne will have to comply with the Notice on Cyber Hygiene PSN06 (“**PSN06**”);
- the conduct requirements for payment services under PSN07³ will only apply to ShuttleOne;
- for DPT service providers, a risk warning must be provided to Counterparties. We suggest that this be included in relevant onboarding material;
- to the extent that any outsourcing of functions is undertaken for ShuttleOne operations, we suggest that ShuttleOne review the outsourcing agreements and putting into place any required controls to comply with the MAS Guidelines on Outsourcing (last revised 5 October 2018) (“**Outsourcing Guidelines**”).

2. **BACKGROUND - DAI**

2.1 In order to understand how loans based on DPT collateral can be issued through the MCD system, we set out our understanding of the DAI system below which is based on:

- the information set out in the DAI whitepaper by the Maker Team dated December 2017 (the “**Whitepaper**”);
- the information on the Maker website as of 8 January 2020; and
- the information and documents shared by Lim HongZhuang of ShuttleOne and Brian Avello, in the course of several calls and meetings held in January and February 2020.

Maker

2.2 Maker is a decentralised autonomous organisation (“**DAO**”) that created the protocol behind DAI, a decentralised stablecoin built on Ethereum that backs and stabilizes the value of DAI through *“a dynamic system of Collateralized Debt Positions (“**CDPs**”), autonomous feedback mechanisms, and appropriately incentivised external actors”* (reference extracted from the Whitepaper).

2.3 As a DAO, there is no centralised issuer of DAI, and all DAI is backed by collateral that has been escrowed into publicly viewable smart contracts on the Ethereum blockchain. Maker enables anyone to leverage their digital payment token assets to generate DAI on the Maker Platform.

Multi-collateral DAI (“MCD”) System

2.4 The MCD System allows the creation of Vaults (formerly known as CDPs) which hold collateral assets deposited by a user to generate DAI by accruing debt. This debt effectively locks the deposited collateral assets inside the Vault until it is later covered by paying back an equivalent amount of DAI (and the required stability fee), at which point the owner can again withdraw their collateral. Active Vaults are always collateralized in excess, meaning that the value of the collateral is higher than the value of the debt. In essence, the minted DAI functions like a loan secured by the user’s

³ Notice to licensees, exempt payment service providers, persons exempt under section 100 from having in force a licence, operators of designated payment systems and settlement institutions of designated payment systems.

collateral locked in the Vault.

- 2.5 DAI is collateralised by multiple assets, which at launch included Ethereum and Basic Attention Token, but new kinds of collateral will be decided by future votes. In the event that the liquidation ratio is breached with respect to collateral, the MCD System attempts to maintain solvency through a series of auction systems. Collateral will be sold until sufficient DAI is returned and burned to offset the outstanding DAI that was minted plus a liquidation fee.
- 2.6 Using Ether (ETH) as an example, for every \$1 borrowed through the MCD system, \$1.50 in ETH must be locked up as collateral. When the borrowed DAI is repaid, the locked-up ETH is returned to the user minus a stability fee for using the system. Borrowers must always ensure that their CDP meets the minimum 150% collateralisation ratio or risk their collateral being liquidated.

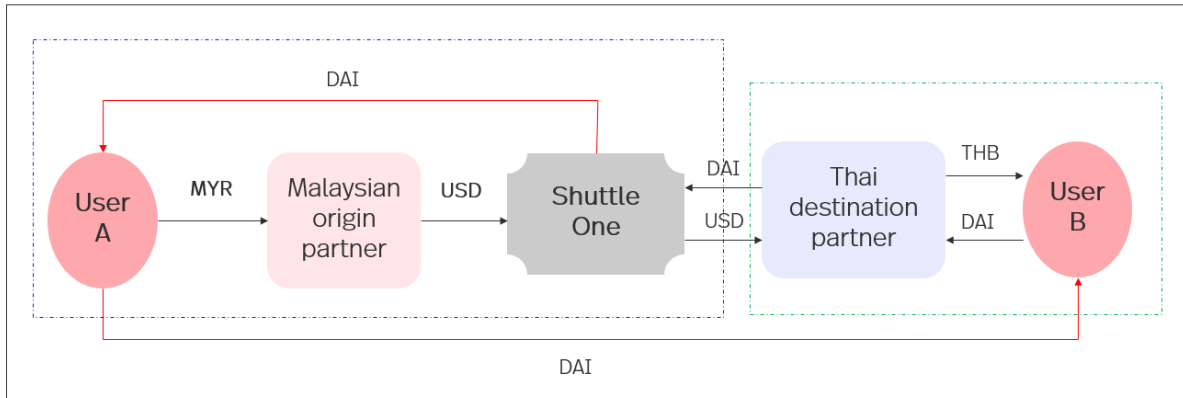
3. **SHUTTLEONE FACILITATION MODEL**

- 3.1 ShuttleOne will assist parties with the following services:

A. Remittance and money transfer

- 3.2 The ShuttleOne wallet will enable users to transfer funds and make cross-border transactions, by working with licensed providers in the jurisdictions where it operates.⁴ This service will be made available to users in Singapore, Indonesia, Thailand, and Malaysia. Users will also be able to make peer to peer transfers to other users.
- 3.3 Withdrawals will only be permitted for the user to bank accounts under his own name, or to other users who have fully cleared anti-money laundering checks, to bank accounts under their own name.
- 3.4 For example:
 - User A in Malaysia wishes to remit monies to User B in Thailand. User A will first go to its Malaysian origin partner to give them Malaysian Ringgit.
 - TML will exchange the Malaysian ringgit for US dollars and send ShuttleOne the US dollars.
 - ShuttleOne will issue DAI to User A using the US dollars collected at a fee. User A will get DAI in his ShuttleOne wallet, which he can send to User B based in Thailand.
 - User B can get Thai Baht by executing the 'withdraw' function in his wallet, and getting local currency from its Thai destination partner.
 - The Thai destination partner will thereafter exchange the DAI which it obtained from User B (which has been held in its wallet with ShuttleOne) for USD with ShuttleOne. ShuttleOne will provide the USD by executing a trade with a digital asset exchange or OTC broker to exchange DAI for USD.

⁴ Currently, ShuttleOne is working with TML Remittance Center Sdn. Bhd and other technology service providers TML Digital Sdn Bhd, PT Sehati Global Valsindo, and PT Aviana Sinar Abadi, to offer this service.



B. Fiat-DAI conversion

- 3.5 ShuttleOne will assist to provide users and other customers that wish to obtain DAI, by issuing DAI from its proprietary DAI holdings in relation for fiat.

C. Micro-loans

- 3.6 ShuttleOne's assists businesses (small and medium-sized enterprises ("**SMEs**")) to obtain loans by leveraging DAI. ShuttleOne will facilitate loans for SMEs by facilitating the debt assessment process, so that collateral (eg. cars) can be more accurately assessed.
- 3.7 Various types of information are considered for the purposes of assessing the appropriate credit score, which will include:
- Company profile;
 - Corporate transactional and banking records; and
 - Surveyor / auditor verification and valuations of assets.
- 3.8 If an SME wishes to obtain a loan, they can obtain a loan from ShuttleOne by assigning their collateral to ShuttleOne. ShuttleOne will have a network of notaries, accountants, auditors and surveyors who will be able to assess the value of his property.

Re-payment Incentives

- 3.9 For completeness, we note that ShuttleOne will also have the incentive to facilitate the repayment of DAI loans. This is as ShuttleOne is part of the governance community which hold the governance token MKR. MKR allows holders to make decisions about the MCD system and acts as a lever to stabilize the DAI price.
- 3.10 The lever mechanism of the MKR token is that MKR must be used to pay fees and every time a Vault is repaid, the MKR token is burned or destroyed. This means that increased demand for DAI will result in increased demand for MKR and decreases the supply of MKR when Vaults are repaid, effectively increasing its price.
- 3.11 Conversely, if MKR token holders govern the system badly so that Vaults do not have enough collateral, new MKR tokens are automatically created and sold, bringing the system back to sustainable levels, but also effectively decreasing the price of MKR.

- 3.12 Therefore, MKR holders have a monetary incentive to ensure that that the MCD system functions as intended.

4. **LENDING ACTIVITIES**

MLA

- 4.1 Under the MLA, no person shall carry on or hold himself out in any way as carrying on the business of moneylending in Singapore, whether as principal or as agent, unless-

- he is authorised to do so by a licence;
- he is an excluded moneylender; or
- he is an exempt moneylender.

- 4.2 An excluded moneylender includes a person who lends money solely to corporations.

- 4.3 We understand that ShuttleOne will only be facilitating the DAI loans, by assessing the value of collateral and facilitating the debt assessment process. However, as the collateral will be assigned to ShuttleOne in practice, ShuttleOne may be characterised as a moneylender in this context. However, as only companies will be permitted to obtain loans, ShuttleOne will constitute an 'excluded moneylender' in this context and will not likely be required to obtain a licence for such activity.

PS Act

- 4.4 Section 20(1) of the PS Act states that a licensee must not carry on a business of granting any credit facility to any individual in Singapore. This is not applicable to ShuttleOne as it will only be facilitating loans to SMEs in Singapore.

- 4.5 Section 20(2) of the PS Act states that a licensee that is entitled to and does carry on a business of providing an e-money issuance service —

- must not lend any customer money; and
- must not use any customer money, or any interest earned on any customer money, to finance wholly or to any material extent any activity of any business carried on by the licensee.

- 4.6 "Customer money" in the PS Act means any money received in Singapore by a licensee from a person in Singapore, in exchange for which the licensee issues any e-money, but does not include any of the following:

- any money paid to the licensee to reduce the amount owed to the licensee by that person;
- any money that is repaid by the licensee to that person;
- any money which is paid to the licensee, or which the licensee has informed that person will be used, to defray any fee or charge imposed by the licensee for providing any payment service to that person;
- any money that is paid to, and received by, a recipient in accordance with the

instructions of that person;

- any money paid to any other person that is entitled to the money.

4.7 MAS has clarified that *“This prohibition only applies to e-money issuers because customer money collected through e-money issuance tend to reside with the issuer for longer than other activities like domestic money transfer or cross-border money transfer. For such other activities, the money is transferred quite quickly so the licensee will not be able to use the money collected.”*

4.8 We note that in providing the DAI loans, ShuttleOne will be using its own funds to fund the MCD system, and will not be on-lending any of the e-money funds of customers.

5. CREDIT REPORTING ACTIVITIES

5.1 In Singapore, credit reporting activities are regulated under the CBA. In introducing the CBA, MAS stated that the objective of submitting credit bureaus to formal supervisory oversight is to ensure that they take adequate measures to safeguard the confidentiality, security and integrity of sensitive borrower credit information and protect consumers’ interests.

5.2 A “credit report” is defined as a communication, whether in written, oral or other form:

- prepared using customer information provided by at least one bank or merchant bank that is a member of a credit bureau, to assess the creditworthiness of a person, including —
 - information about the person’s eligibility to be provided with credit;
 - information about the person’s history in relation to credit;
 - information about the person’s capacity to repay credit provided to the person; or
 - any other information relating to the person’s creditworthiness; or
- prepared by a licensed credit bureau for such other purpose as may be prescribed.

5.3 A “credit reporting business” means:

- a business in Singapore (whether routine or recurrent) that involves preparing, providing or maintaining, for profit or gain, credit reports regardless of whether the primary function of the business is connected with credit reports;
- the business of preparing, providing or maintaining credit reports on a routine, non-profit basis as an ancillary part of a business carried on for profit or gain; or
- such other business as may be prescribed.

5.4 Both consumer credit reporting businesses and corporate credit reporting businesses are required to be licensed and follow certain duties to maintain confidentiality of customer information, maintain security and integrity of data, correct data, and to

provide certain information to MAS.

5.5 We understand that as ShuttleOne will be offering loans to Singapore corporates only, and as such, no consumer rating assessment will be involved. In particular, the following types of information will not be collected from individuals:

- Basic personal profile data (excluding contact addresses and telephone numbers);
- Records of all personal credit checks;
- Credit repayment trend for the past 12 months, including late payments on personal credit card bills of directors;
- Personal default records;
- Personal bankruptcy records;
- Personal closed or terminated credit accounts;
- Aggregated outstanding balances; or
- Aggregated credit limits.

Given the above, our view is that it is unlikely that ShuttleOne will be characterised as carrying out a consumer credit reporting business.

5.6 In MAS' Response to Feedback – Consultation on Credit Bureau Regulatory Framework and Credit Bureau Bill dated May 2015 (the “**CB Consultation**”), MAS noted in paragraph 1.2 of the CB Consultation that *“The CBB (now CBA) will apply to credit bureaus that collect credit data from any licensed bank in Singapore. Credit bureaus which do not collect any data from licensed banks are not within the scope of CBB.”*

5.7 We understand that corporate credit information will not be collected by ShuttleOne directly from banks to facilitate loan underwriting decisions. As such, it is unlikely that the CBA will apply to ShuttleOne.

5.8 Nevertheless, ShuttleOne may wish to consider its data privacy obligations under the Personal Data Protection Act 2012 (“**PDPA**”), which applies to the collection, use and/or disclosure of personal data in Singapore.

6. **REGULATED ACTIVITIES UNDER THE PS ACT**

DPT Services

6.1 A “digital payment token service” means any of the following services:

- any service of dealing (buying or selling) in DPTs; and

- any service of facilitating the exchange of DPTs⁵.

6.2 Based on our separate assessment of DAI, it is likely to be a DPT. As ShuttleOne will be providing a service of exchanging US dollars for DAI, and provides a wallet for holding DAI and other currencies, ShuttleOne will likely be held to be facilitating the exchange of DPT and/or dealing in DPT (as it will sell DAI from its proprietary book).

Cross-border money transfer

6.3 “Cross-border money transfer service” means either of the following services:

- any service of accepting money in Singapore, whether as principal or agent, for the purpose of transmitting, or arranging for the transmission of, the money to any person outside Singapore (other than any such service that the Authority may prescribe); or
- any service of receiving any money from outside Singapore for, or arranging for the receipt of any money from outside Singapore by, any person in Singapore (other than any such service that the Authority may prescribe), whether as principal or as agent.

6.4 “Money” under the PS Act includes e-money but excludes any DPT and any excluded digital representation of value.

6.5 Based on our review of ShuttleOne’s setup, ShuttleOne will only be involved in cross-border transfers of DAI, a DPT, to other users. ShuttleOne will not be transferring any fiat and utilises its origin and destination partners for fiat money-changing. As such, our view is that it is not likely that Shuttle One will be held to be conducting cross-border money transfer services.

Account issuance / E-money services

6.6 Account issuance services is defined as:

- the service of issuing a payment account to any person in Singapore;
- any service relating to any operation required for operating a payment account, including —
 - any service (other than a domestic money transfer service or a cross-border money transfer service) that enables money to be placed in a payment account; or
 - any service (other than a domestic money transfer service or a cross-border money transfer service) that enables money to be withdrawn from a payment account.

6.7 A “payment account” means:

⁵ “Facilitating the exchange of DPTs” means establishing or operating a digital payment token exchange for that type of digital payment token, in a case where the person that establishes or operates that digital payment token exchange, for the purposes of an offer or invitation (made or to be made on that digital payment token exchange) to buy or sell that type of digital payment token in exchange for any money or any digital payment token (whether of that type or a different type), comes into possession of any money or any digital payment token, whether at the time that offer or invitation is made or otherwise.

- any account, or any device or facility (whether in physical or electronic form), that —
 - is held in the name, or associated with the unique identifier, of any person, and is used by that person for the initiation of a payment order or the execution of a payment transaction, or both; or
 - is held in the names, or associated with the unique identifiers, of 2 or more persons, and is used by any of those persons for the initiation of a payment order or the execution of a payment transaction, or both; and
 - includes a bank account, debit card, credit card or charge card.
- 6.8 A “payment order” is defined as an instruction to a payment service provider requesting for the execution of a payment transaction. A “payment transaction” means the placing, transfer or withdrawal of money, whether for the purpose of paying for goods or services or for any other purpose, and regardless of whether the intended recipient of the money is entitled to the money.
- 6.9 In this regard, MAS has provided guidance in the FAQs on the Payment Services Act dated 4 October 2019 (“**FAQs**”) that:
- Business X would however be providing an account issuance service in a situation where Business X (rather than the e-wallet operator) operates the payment account and tops up the payment account. In that situation, Business X will need to hold a licence to provide an account issuance service, unless it is exempted.*
- 6.10 “E-money issuance service” means the service of issuing e-money to any person for the purpose of allowing a person to make payment transactions. “E-money” means any electronically stored monetary value that —
- is denominated in any currency, or pegged by its issuer to any currency;
 - has been paid for in advance to enable the making of payment transactions through the use of a payment account;
 - is accepted by a person other than its issuer; and
 - represents a claim on its issuer,
- but does not include any deposit accepted in Singapore, from any person in Singapore.
- 6.11 We understand that the ShuttleOne wallet will only show the USD (or in future, other currencies) equivalent of DAI holdings, and will not show any fiat amount balances. In this sense, no ‘e-money’ will be issued for payment transactions. As we have noted in our separate analysis of DAI, as the setup of DAI is a decentralised autonomous organisation whereby there is no centralised issuer, DAI does not represent a claim on a centralised issuer, and is not pre-paid for goods and services.
- 6.12 All fiat balances and deposits / withdrawals will be held/ transacted via remittance partners in the relevant jurisdictions which comply with relevant legal and compliance requirements in the jurisdictions, and not by ShuttleOne.

- 6.13 We note that in future, there are plans for users to be able to redeem and pay for vouchers by DAI to get items (eg. rice) from a catalogue which are offered at rebate prices. ShuttleOne will pay the relevant merchants in normal credit terms (eg. 30 days after vouchers are issued). However, there will be no fiat top-ups for this and users will just be paying for vouchers using their DAI balances.
- 6.14 Given the above, we note that based on the current definitions, ShuttleOne is likely not characterised as conducting account issuance and e-money issuance services, given that the payment transactions appear to be tied to DAI, a DPT, and not any fiat balances. However, given that the merchants are ultimately paid in fiat (since ShuttleOne exchanges DAI to fiat on their behalf), we note that MAS may adopt a different view in practice of the whole arrangement. As such we recommend that MAS be consulted to clarify this point as to whether ShuttleOne will need to be licensed for these activities.
- 6.15 In addition, as we have noted in our analysis of DAI, MAS has expressly highlighted a gap in the market in paragraph 3.6 of the Consultation, where MAS noted that there are stablecoins where *“issuers may be able to secure trust even without stablecoin holders having a claim on the issuer or redemption rights, perhaps by ensuring that a market always exists for holders to redeem for fiat currency. The certainty with which stablecoin holders are able to redeem for fiat currency may also vary, e.g. market liquidity for holders to redeem for fiat currency may tighten in times of crisis.”*
- 6.16 As such there may be amendments to include stablecoins without central issuers in the scope of debentures or e-money in the future, depending on their consideration in the course of the Consultation. ShuttleOne should closely monitor the progress of this Consultation which may affect how its operations are characterised.

Merchant acquisition

- 6.17 “Merchant acquisition” activities in the PS Act is defined as
- *any service of accepting and processing a payment transaction for a merchant under a contract between the provider of the service and the merchant, which results in a transfer of money to the merchant pursuant to the payment transaction, regardless whether the provider of the service comes into possession of any money in respect of the payment transaction, in a case where —*
 - *the merchant carries on business in Singapore, or is incorporated, formed or registered in Singapore; or*

the contract between the provider of the service and the merchant is entered into in Singapore.
- 6.18 MAS in the FAQs noted that usually the service includes *“providing a point of sale terminal or online payment gateway.”* Further, *“a payment service provider that operates a closed-loop e-money account issuance service, where transactions can only take place between users of the particular e-money accounts issued by the payment service provider, may also be providing a merchant acquisition service if one of the users is a merchant and there is the requisite contractual relationship.”*
- 6.19 We note that in future, there are plans for users to be able to redeem and pay for vouchers by DAI to get items (eg. rice) from a catalogue which are offered at rebate

prices. ShuttleOne will pay the relevant merchants in normal credit terms (eg. 30 days after vouchers are issued). However, there will be no fiat top-ups for this and users will just be paying for vouchers using their DAI balances. ShuttleOne will assist with helping merchants to convert DAI to USD.

- 6.20 Given this arrangement, our view is that ShuttleOne will likely be characterised as carrying out merchant acquisition activities, as the payments of merchants may be characterised as ‘payment transactions’, given payments made to merchants are ultimately made through money transfers (and not purely DPT transfers).

Money-changing services

- 6.21 “Money-changing service” means the service of buying or selling foreign currency notes. As ShuttleOne will not be carrying out such services which will be supported by its remittance partners in the jurisdictions where it operates, it is not likely that ShuttleOne will be characterised as carrying out such services.

6.22 COMPLIANCE REQUIREMENTS FOR DPT

- 6.23 We note that MAS has issued a Consultation on the Payment Services Act 2019: Proposed Amendments to the Act⁶, where additional user protection requirements are proposed for DPT service providers. ShuttleOne should closely monitor the progress of this consultation as it is likely to affect its ongoing compliance requirements and activities.

- 6.24 We set out the relevant requirements for DPT service providers below.

AML/CFT Requirements

- 6.25 Providers of DPT services will be subject to PSN02. As such, the AML requirements under PSN02 will apply to ShuttleOne.
- 6.26 In addition to general requirements in relation to identification and verification (elaborated further below), the main significant requirements which have been proposed are cross-border value transfer requirements which are based on guidance by the Financial Action Task Force (“**FATF**”) in the February 2019 FATF Public Statement on Mitigating Risks from Virtual Assets.

Notice on reporting of suspicious activities and incidents of fraud

- 6.27 A DPT services licensee is required to lodge with MAS a report upon discovery of any suspicious activities and incidents of fraud where such activities or incidents are material to the safety, soundness or reputation of the relevant entity.
- 6.28 The report is required to be lodged no later than five working days after the of the activity or incident by the relevant entity, as the case may be.
- 6.29 Where a relevant entity has not reported to MAS a suspicious activity or incident of fraud, it shall document the reasons for its decision.
- 6.30 For incidents of fraud, a relevant entity should also lodge a police report and submit to the Authority a copy of the police report. Where the relevant entity has not lodged a

⁶ <https://www.mas.gov.sg/-/media/MAS/News-and-Publications/Consultation-Papers/2019-Consultation-Paper-on-Proposed-Amendments-to-PS-Act/Consultation-on-Proposed-Amendments-to-Payment-Services-Actdocx.pdf>

police report, it should notify the Authority of the reasons for its decision.

Submission of regulatory returns

- 6.31 A DPT service provider is required to provide monthly reporting submissions through Form 6A, and a semi-annual submission through Form 6B. There is also an annual return through Form 9.⁷
- 6.32 Each licensee that is a corporation must also ensure that the documents are approved by an executive officer duly authorised by the board of directors of the licensee to approve the documents, or by any director.
- 6.33 We suggest that the submissions only need to be submitted for ShuttleOne. The same approval requirements will apply.

Cyber hygiene

- 6.34 A DPT provider is considered to be a “relevant entity” which falls into the scope of the PSN06. PSN06 is expected to come into effect on the same date as the PS Act, and licensees are expected to be required to comply starting August 2020.
- 3.16 PSN06 sets out the following requirements:
 - administrative accounts are secured to prevent unauthorised access to or use of such account;
 - systems are patched within a timeframe that is commensurate with the risks posed by each vulnerability;
 - there is a written set of security standards for every system, and the systems must adhere to the standards, or institute controls to reduce any risk posed by such non-conformity;
 - controls are implemented at its network perimeter to restrict all unauthorised network traffic;
 - one or more malware protection measures are implemented on every system, to mitigate the risk of malware infection; and
 - multi-factor authentication is implemented for all administrative accounts in respect of critical systems, and all accounts on any system used by the relevant entity to access customer information through the internet (the effective date for this measure can be extended if certain conditions⁸ are met).

Conduct requirements

- 6.35 The Notice on Conduct PSN07 sets out the following requirements for DPT services licensees:
 - records must be kept in the English language containing all of the information

⁷ See [link](#) to relevant forms.

⁸ See paragraph 4.7 of PSN06.

of all the licensee's transactions;

- receipts must be issued containing certain specific information for every transaction accepted, processed or executed;
- the exchange rate and any separate fees must be shown before the payment service is provided; and
- notification of normal business days and hours and any changes.

Notice on disclosure requirements

6.36 For DPT service providers, the risk warning below must be provided to customers:

RISK WARNING ON DIGITAL PAYMENT TOKEN SERVICES

The Monetary Authority of Singapore (MAS) requires us to provide this risk warning to you as a customer of a digital payment token service provider.

Before you pay your DPT service provider any money or DPT, you should be aware of the following.

- 1. Your DPT service provider is exempted by MAS from holding a licence to provide DPT services. Please note that you may not be able to recover all the money or DPTs you paid to your DPT service provider if your DPT service provider's business fails.*
- 2. You should not transact in the DPT if you are not familiar with this DPT. Transacting in DPTs may not be suitable for you if you are not familiar with the technology that DPT services are provided.*
- 3. You should be aware that the value of DPTs may fluctuate greatly. You should buy DPTs only if you are prepared to accept the risk of losing all of the money you put into such tokens.*

6.37 The risk warning must be published in all publicly available material issued, be provided prior, at least once in writing, not be obstructed or embedded with other unrelated writing, and be of a reasonable size and typeface.

6.38 We suggest that this be included in relevant Counterparty onboarding material.

Outsourcing requirements

3.22 ShuttleOne will be subject to the Outsourcing Guidelines.

6.39 The Outsourcing Guidelines state that the extent and degree to which an institution implements the Outsourcing Guidelines should be commensurate with the nature of risks in, and materiality of, the outsourcing arrangement. An institution should ensure that outsourced services (whether provided by a service provider or its sub-contractor) continue to be managed as if the services were still managed by the institution.

6.40 In supervising an institution, MAS will review the implementation of the Outsourcing Guidelines by an institution to assess the quality of its board and senior management oversight and governance, internal controls and risk management. MAS is particularly

interested in material outsourcing arrangements.

- 6.41 If the actual technical operations of ShuttleOne are outsourced to its related entity in the group, it is likely that it will be considered a material outsourcing.
- 6.42 ShuttleOne is required to notify MAS as soon as possible of any adverse development arising from its outsourcing arrangements that could impact ShuttleOne. Such adverse developments include any event that could potentially lead to prolonged service failure or disruption in the outsourcing arrangement, or any breach of security and confidentiality of a Counterparty. ShuttleOne should also notify MAS of such adverse development encountered to the extent that it will affect the operations of ShuttleOne.