EXPANDING THE MAS RECOGNISED MARKET OPERATOR REGIME

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On 22 May 2018, the Monetary Authority of Singapore ("MAS") issued two (2) consultation papers to improve market operators' business flexibility when establishing new centralized trading facilities and speed to market when launching new products. This was within MAS's broader objective to facilitate innovation in financial services.

Following the approach set out by the MAS in their **Guide to Digital Token Offerings** issued on 14 November 2017 (the "**MAS Guide**") (click here to access the MAS Guide), a person who establishes or operates a market, or hold himself out as operating a market, must be approved by MAS as an Approved Exchange ("**AE**") or recognised by MAS as a Recognised Market Operator ("**RMO**") under the Securities and Futures Act (Cap. 289) (the "**SFA**"), unless otherwise exempted under the SFA.
Under the proposed multi-tier scheme, the RMO regime have three (3) tiers as set out below:

RMO Tier 1

This newly-introduced tier is targeted at market operators with limited access to Singapore-based retail investors. Market operators that will not pose system-wide risks (as determined by MAS) will be allowed to serve retail investors. The compliance requirements for RMO Tier 1 are more stringent than the existing RMO regime and include, inter alia, increased information disclosure, base capital requirement of S$500,000, and additional requirements that pertain to retail investor protection.

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RMO Tier 2

Existing RMO operators (under the existing RMO regime) will be re-classified under this tier. This tier retains the same requirements as the current RMO scheme.

RMO Tier 3

This tier is targeted at market operators which are significantly smaller scale than operators under the current Approved Exchange or RMO scheme, and is designed to facilitate new entrants that develop solutions for wholesale market participants but do not have an established track record, or commercially-viable companies that have successfully completed the MAS sandbox but cannot yet meet the RMO Tier 2 requirements. There are reduced capital and compliance requirements, but also a limit on their scale of operations.

Product Notification Regime

In addition to the above, MAS will issue a Notice setting out the criteria it uses to assess new products. RMOs and AEs seeking to list new products will be able do so once they have self-certified, at least one (1) week before listing the new product, that the new product meets the criteria set out in the Notice and that relevant risks have been addressed. Currently, RMOs and AEs seeking to list or de-list derivative products must obtain MAS's approval on a product-by-product basis.

The public consultation phase for this proposed multi-tier regime was concluded on 22 June 2018.

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