FINANCIAL SERVICES AND MARKETS ACT 2022 AND THE PROPOSED REGULATORY FRAMEWORK FOR DIGITAL TOKEN SERVICE PROVIDERS

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June 2025 Update

The Monetary Authority of Singapore (MAS) recently responded to public feedback on its proposed regulatory framework for Digital Token Service Providers (DTSPs) under part 9 of the Financial Services and Markets Act 2022 (FSMA). As mentioned in our previous update on this topic, the MAS consultation was opened on 4 October 2024 and closed on 4 November 2024.

DTSPs are defined as defined as individuals, partnerships or Singapore corporations that are operating from a place of business in Singapore or formed or incorporated in Singapore but carry on a business of providing digital token services outside Singapore.

The DTSP regulatory framework supplements Singapore's only existing crypto regulatory framework, the Payments Services Act 2019 (PS Act), and includes AML/CFT, technology risk management, cyberhygiene, business conduct and disclosure obligations. AML/CFT is the most important of the MAS' concerns, as DTSPs are regarded as being more susceptible to money laundering or terrorism financing risks due to the internet-based and cross-border nature of such services. However, DTSPs should be distinguished from digital payment token (DPT) providers such as crypto exchanges that are or will be licensed as payment institutions in Singapore under the PS Act.

The MAS response to the public consultation emphasizes a stringent approach to DTSP licensing due to the above-mentioned risks, with approvals granted only in exceptional cases and no transitional period. DTSPs must cease operations by 30 June 2025 if unlicensed.

For DTSPs, a fixed annual license fee of S$10,000 and minimum capital of S$250,000 apply across the board. Licensees must, among other obligations, appoint a Singapore-based compliance officer, adhere to audit and reporting requirements, maintain robust IT systems and report major incidents to the MAS within one hour of occurrence.

Some respondents to MAS' DTSP framework consultation had called for greater flexibility, tiered regulatory requirements and transitional arrangements, but MAS' response shows that it has largely rejected those suggestions.

Part 9 of the FSM Act, the First and Second Schedules to the FSM Act, and other relevant or consequential amendments in the FSMA (including finalised notices) shall come into force on 30 June 2025.

Response to Feedback Received on Proposed Regulatory Approach, Regulations and Notices for Digital Token Service Providers issued under the Financial Services and Markets Act 2022

Should you require any further information, please do not hesitate to contact Bill Jamieson or Aaron Lee:

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