



Singapore offers one of the most business-friendly environments for crypto entities, with a transparent taxation system offering the benefit of no capital gains tax, as well as a modern regulatory framework encompassing a wide range of activities related to the financial system.

As Singapore's reputation as a fintech hub is built on transparency and stability, crypto-related companies are bound by strict Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) regulations implemented by the primary regulator, Monetary Authority of Singapore (MAS). In this regard, the regulations are aimed at making Singapore a safe regulatory destination and operating environment for cryptocurrency services whilst building market integrity and confidence for financial institutions and investors.

This business primer will provide an overview of setting up a crypto entity in Singapore, and a quick look at other crypto-friendly jurisdictions.

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Published in May 2022

# SETTING UP CRYPTO FUND IN SINGAPORE

## 1. Incorporation of Legal Entity

The requirements to set up a Singapore company are as follows:

- At least one local director (Singapore citizen or permanent resident, or a person belonging to a class of persons prescribed by MAS)
- At least 1 shareholder (full flexibility here, can be corporate or individual, 100% foreign owned is acceptable too!)
- At least S\$1 paid-up capital
- A physical local registered address
- A company secretary

In terms of a fund structure, a popular option would be the [Variable Capital Company](#) for the “crypto-focused fund”. Other possible structures include the Unit Trust, Limited Partnership and Limited Liability Company.

For more information on company incorporation, check out: [Overview of Company Incorporation in Singapore](#)

## 2. Identify and Obtain the Relevant Licences

Depending on the exact nature of your business activities, the following licences would be applicable:

### **Fund Management → Capital Market Services (CMS) licence**

- Entities engaged in fund management activities must hold either a CMS licence for fund management as a Licensed Fund Management (LFMC) or a Venture Capital Fund Manager (VCFM), be registered as a Registered Fund Management Company (RFMC) or be expressly exempted from holding a CMS Licence, in the case of the Single Family Office (SFO).
- The licence required would depend on the investor restrictions and quantum of assets under management which the fund intends to market and manage. Note that in Singapore, crypto funds are not authorised for sale to retail investors.
- The entity should satisfy MAS that its shareholders, directors, representatives and employees, as well as the FMC itself, are fit and proper, in accordance with the [Guidelines on Fit and Proper Criteria](#) issued by MAS.

For more information on obtaining a CMS licence, check out: [Capital Markets Services: Licence Application](#)

**Payment Services → Standard Payment Institution (SPI) or Major Payment Institution (MPI) licence**

- If the crypto fund intends to operate a platform to facilitate crypto and digital token/fiat exchange related services, this may constitute the provision of "Digital Payment Token" services under the Payment Services Act, and require an SPI or MPI licence.
- The SPI licence is for companies providing services below these specific thresholds:
  - S\$3 million in monthly transactions for any payment service (other than e-money account issuance and money-changing services)
  - S\$6 million in monthly transactions for two or more payment services (other than e-money account issuance and money-changing services)
  - S\$5 million of daily outstanding e-money
- The abovementioned thresholds do not apply for the MPI licence.

For more information on application for SPI or MPI licence, check out: [Payment Service providers: Licence application](#)

***FinReg business tip:***

*The term "digital payment token" (DPT) is specific to Singapore and brings cryptocurrencies under the purview of the Payment Services Act. For a comprehensive guide on the legal requirements and licensing procedures for DPTs, check out our paid memo: [Singapore Payment Services Licence](#)*

**Financial Advisory → Financial Adviser licence**

Where the crypto fund manager offers financial advice in respect of digital tokens as an investment product, a financial adviser's licence must be obtained, unless exempted, under the Financial Advisers Act (Cap. 110).

**3. Prepare Fund Documentation**

To carry out the crypto fund's business activities, the rights and obligations of the relevant parties should be set out in writing. Such documents include but are not limited to subscription agreement, private placement/information memorandum, investment management agreement, administration agreement and custodian agreement.

***FinReg business tip:***

*It is best to consult a legal professional to position your legal and regulatory requirements correctly based on the nature of your business activities, so that subsequent compliance, tax and accounting matters can be handled with minimal complications. For a list of professionals you can talk to, click [here](#)*

## OTHER CONSIDERATIONS FOR SETTING UP IN SINGAPORE

### Income Taxation of Cryptocurrencies

- For **trading in cryptocurrency in the ordinary course of business**, profits would be subject to income tax.
- For **purchase of cryptocurrencies for long-term investments**, capital gains would not be subject to tax.
- For **payment of cryptocurrencies for goods or services**, the provider of the goods or services would be taxed on the value of the goods or services because the cryptocurrencies would be treated as intangible property and not legal tender.

For more information on tax treatment of crypto transactions in Singapore, check out: [Tax on Crypto Transactions](#)

### Offshore Entity in Singapore

If you are considering to base your company in another jurisdiction, but wish to gain access to progressive banking facilities and lower tax rates by setting up an offshore company in Singapore, do check out the [steps required](#) as well as [other considerations](#).

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## COMPARISON WITH OTHER JURISDICTIONS

As the global regulatory landscape for cryptocurrencies continues to evolve, it can be challenging to keep track of ongoing developments across different countries.

Below is an overview of the most relevant regulations for crypto entities that are considering to set up in these selected jurisdictions:

Jurisdiction	Applicable Regulations from Primary Regulator
British Virgin Islands, or BVI	From BVI Financial Services Commission: <a href="#">Guidance on Regulation of Virtual Assets in the Virgin Islands</a>
Dubai	From Virtual Assets Regulatory Authority (VARA): <a href="#">Law No. (4) of 2022 Regulating Virtual Assets in the Emirate of Dubai</a>
Panama	No definitive regulation per se. As of 28 Apr 2022, Panama's National Assembly passed Bill No. 697, allowing companies and individuals to freely use crypto assets as payment for any commercial transaction allowed under Panamanian law <a href="#">Source</a>
Seychelles	No definite regulation per se. As reported in Sep 2021, the Seychelles Financial Services Authority and the Ministry of Finance were "working on a policy to either prohibit or licence the incorporation of cryptocurrency trading platforms as International Business Companies (IBC) registered in the island nation." <a href="#">Source</a>
Switzerland	From FINMA (Swiss Financial Market Supervisory Authority): <a href="#">Issued Fact Sheet on Regulation of Virtual Currencies</a>
United Kingdom	From Financial Conduct Authority (FCA): <a href="https://www.fca.org.uk/publication/policy/ps19-22.pdf">https://www.fca.org.uk/publication/policy/ps19-22.pdf</a>

If you are keen to better understand the regulatory landscape of a specific jurisdiction, we do provide knowledge memos with in-depth coverage e.g. how cryptocurrencies are characterised, AML/KYC regulations, for the following countries:

- BVI [link to memo](#)
- Dubai [link to memo](#)
- UK [link to memo](#)

Stay tuned for our upcoming article where we look at crypto-friendly jurisdictions such as Switzerland and Seychelles, and compare key features e.g. ease of doing business that crypto entities would want to know before venturing in.

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