

**EXEC. SUMMARY**

Singapore regulates cryptocurrencies with the Payment Services Act 2019 (PSA), and is prescribed by the Monetary Authority of Singapore (MAS). Under this regime, cryptocurrencies are not outright banned, nor are they wholly unregulated. Instead, MAS has taken a risk-based approach by looking at key aspects such as Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT). Service providers are regulated through a licensing framework based on the regulated activity their cryptocurrency/crypto asset business falls under.

Applying for a Payment Service Provider licence (PS licence) involves a very thorough assessment of your businesses compliance measures, policies and systems by MAS. This is because of the above mentioned risk-based approach taken to ensure that Singapore adopts crypto assets yet has robust regulations against illicit activities that may harm Singapore's reputation as a crypto-friendly nation.

This memo will outline the licensing regime, admission criteria, ongoing requirements, AML/CFT requirements and the application process, so that you have an informed overview of what licensing entails before consulting a lawyer or applying for a licence straight away.

RECOGNITION OF CRYPTOCURRENCIES IN SINGAPORE

Cryptocurrencies in Singapore are likely to be considered Digital Payment Tokens according to the PSA. Similarly, depending on the characteristics of the token, it may be considered a security token if it represents an investment; [e-money](#); or unregulated if the token is strictly used as a utility token.

Stablecoins are not classed as e-money, and may be considered DPTs based on their characteristics.

Coins exchanged and used to make payment (i.e BTC, SOL, ETH) are likely to be considered digital payment tokens (DPTs), since they are primarily used to make payment.

MAS Notices

- “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;

As such, a business dealing with DPTs will likely fall under the definition of “Digital Payment Token service” under the PSA.

LICENSING REGIME

Singapore does not regulate the actual cryptocurrencies per se, but rather the activities carried out relating to cryptocurrencies. Under the PSA, a payment service provider licence (PS licence) is required if a person or business engages in any of the following activities:

MAS (Notices)

- Account issuance service
- Domestic money transfer service
- Cross-border money transfer service
- Merchant Acquisition service

- E-money issuance service
- Digital Payment Token service
- Money changing service

The definition of Digital Payment Token service (DPT service) encompasses the following:

Payment Services Act 2019

- “digital payment token service” means any of the following services:
 - (a) any service of dealing in digital payment tokens (other than any such service that the Authority may prescribe);
 - (b) any service of facilitating the exchange of digital payment tokens (other than any such service that the Authority may prescribe);

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- *“A person providing services involving the buying and selling of DPTs, or providing a platform for the exchange of DPTs in Singapore is regulated under the Payment Services Act 2019 and is subject to risk mitigation measures relating to anti-money laundering / countering the financing of terrorism”*

In other words, DPT service providers can be described as businesses that provide either exchange services for DPTs or platforms where these crypto assets can be sold within Singapore.

FinReg business tip:

Legislative amendments have been passed in parliament to expand the scope of “DPT service”. Under the new definition, the activities of DPT transfers and provision of custodian wallets are to fall under DPT service. The amendments have yet to be enacted as of date of writing. *Consult a legal professional to adequately assess the scope of your business to determine your licensing position under the PSA.*

As such, a crypto exchange, wallet service, or coin issuer is likely to fall under the definition of DPT service under the PSA, and will require licensing in order to remain compliant under MAS’ regulatory framework.

Obtaining and holding a PS licence to conduct the activity of DPT services means having to adhere to the strict AML/CFT requirements for DPT service providers set out in [MAS Notice PSN02](#) (details below).

There are 3 types of licences granted by MAS, and can conduct multiple payment services under 1 licence. This means that you won’t need to apply for multiple licences should you conduct (for example) a money transfer service coupled with a DPT service.

MAS

- Payment service providers can conduct multiple payment services under one licence. There are three types of licences that payment service providers can hold to provide the payment services above:
- **Money-Changing Licence**
 - Money-Changing licensees are only able to conduct money-changing services.
- **Standard Payment Institution Licence**
 - Standard Payment Institutions are able to conduct multiple payment services below specified thresholds.
- **Major Payment Institution Licence**
 - Major Payment Institutions are able to conduct multiple payment services without any limits on transaction volume or float.

The “specified thresholds” mentioned above is as follows:

- S\$3m monthly transactions for any activity type
- S\$6m monthly transactions for two or more activity types
- S\$5m of daily outstanding e-money

So if your business exceeds any of the above thresholds, you will need a Major Payment Institution Licence. If it does not, then you only need to hold a Standard Payment Institution Licence. If you provide a money-changing service, you will need a Money-Changing Licence regardless of the specified thresholds.

FinReg business tip:

While you can conduct multiple payment activities under 1 licence, a money changing licensee will need to apply to change its licence to an SPI or MPI licence to conduct any additional payment service.

ADMISSION CRITERIA FOR A PS LICENCE

Once you have determined which type of licence your crypto business will need to obtain, the next step is to ensure that you fit the admission criteria set out by MAS. *This is crucial as MAS takes a risk based approach towards licensing, and as such, will scrutinise a PS licence applicant on these requirements.*

Before submitting an application, you should ensure that your business fulfils the criteria set by MAS, as well as demonstrable proof that you are able to continue adhering to these requirements.

[MAS \(Guidelines\)](#)

- **An applicant must fulfil the criteria set out below and must demonstrate how it will be able to comply with its obligations under the PS Act as a licensee.**
 - Governance and ownership requirements
 - Fit and Proper
 - Competency of Key Individuals
 - Permanent place of business or registered office
 - Base capital
 - Security (MPI licence)
 - Compliance arrangements
 - Technology Risk Management
 - Audit arrangements
 - Annual audit arrangements
 - Letter of Responsibility and/or Letter of Undertaking
 - Other factors
 - MAS considers each application on its own merits and may take into account other factors on a case-by-case basis. The criteria and considerations listed above are not meant to be exhaustive; MAS may impose additional conditions or requirements to address the unique risks posed by applicants.
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ONGOING REQUIREMENTS

In addition to the admission criteria, PS licensees are also expected to comply on an ongoing basis with the requirements set out by the PS Act. As such, your business is expected to implement these requirements through “systems, policies and procedures” according to MAS.

[MAS \(Guidelines\)](#)

- Anti-Money Laundering and Countering the Financing of Terrorism (“AML/CFT”) Requirements
 - Periodic Returns
 - Cyber Hygiene
 - Business Conduct
 - Disclosures and Communications
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- Annual Audit Requirements
- Licensees should also understand and apply the relevant MAS Guidelines such as the Guidelines on Technology Risk Management and E-payments user protection guidelines, and keep abreast of regulatory changes.

FinReg business tip:

Read the [MAS Guidelines on Licensing for Payment Service Providers](#) for explanations of each of the above criteria/ongoing requirements. Additionally, it is advised that you consult your lawyer to ensure that you meet those requirements.

AML/CFT REQUIREMENTS

The importance of the above mentioned AML/CFT requirements cannot be understated. While all of the requirements listed above should not be overlooked, particular attention should be paid to AML/CFT as it is a very real and inherent risk associated with cryptocurrencies worldwide. The licensing regime in Singapore was introduced by MAS to ensure that the proliferation of cryptocurrencies will not give rise to illicit activities in Singapore.

The AML/CFT requirements are as follows:

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- Risk assessment and risk mitigation
- Customer due diligence (CDD)
- Reliance on third parties
- Correspondent accounts and wire transfers
- Record-keeping
- Suspicious transaction reporting.
- Internal policies, compliance, audit and training

Travel Rule

In addition to these requirements, DPT service providers will also have to comply with the Travel Rule. This is MAS' implementation of the Financial Action Task Forces (FATF) [Recommendation 16](#) that requires [VASPs](#) to “include required and accurate originator information, and required beneficiary information, on wire transfers and related messages, and that the information remains with the wire transfer or related message throughout the payment chain.”

In a value transfer where the amount to be transferred exceeds S\$1,500, the payment service provider must identify the following:

[FATF Interpretive Note to Recommendation 16 \(Travel Rule\)](#)

- **Originator and beneficiary information should include the following:**
 - Name and account number of the originator
 - Originator's (physical) address, or national identity number, or customer identification number, or date and place of birth
 - Name and account number of the beneficiary
 - Cross-border transfers below the USD/EUR 1,000 threshold should also include the names and account numbers of originator and beneficiary. However, this information does not need to be verified for accuracy unless there is a suspicion of money laundering or terrorist financing.

FinReg business tip:

FATF is an international governing body that combats money laundering and financial crime. It gives recommendations to its member jurisdictions, but since those recommendations are not legally binding, it is up to the individual jurisdictions to legislate those recommendations.

APPLICATION PROCESS

Application form

Once you have decided that your business is ready to apply for a PS licence, you will need to fill out the application form. MAS provides the forms online on their [website](#). For the purposes of making your first application (i.e your first PS licence as opposed to an additional licence), you will need to fill in [Form 1](#).

Filling in and submitting Form 1 can be done entirely online, and MAS states an estimated 45 minutes in doing so. Supporting documents can also be uploaded via the application system. You will also need to log in via your Singpass ID and corporate Entity ID.

Application fee

All applicants must pay a *non-refundable application fee*. The fee amount depends on the licence type and payment services applied for. Refer to the table below for a summary.

Activity type	Standard Payment Institution	Major Payment Institution
Account issuance service	S\$0	S\$0

Domestic money transfer service	S\$1,000	S\$1,500
Cross-border money transfer service	S\$1,000	S\$1,500
Merchant acquisition service	S\$1,000	S\$1,500
E-money issuance service	S\$1,000	S\$1,500
Digital payment token service	S\$1,000	S\$1,500
Money-changing service	S\$500	S\$500

You do not need to make payment before or during the application process. MAS states that it is only payable upon “advice from the authority”.

FinReg business tip:

MAS does not state how long it takes to process an application, instead stating that applicants can expect delays due to the high volume of applications. With the number of successful applications being relatively low, it is difficult to give an estimation. [FOMO Pay reported that it took almost 2 years for their PS licence to be granted](#), citing MAS’ strict standards as a reason for this.

According to the Straits Times, MAS has received 580 applications (as of April 2022), of which only 165 were not *temporarily exempted*. Out of this figure, only 87 have been approved *in principle*, while 11 were rejected. And out of the successful 87, only 5 are DPT licence applications. 147 applications were withdrawn “after engagement with MAS”.

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