

Legal Update

New Licensing Regime for Digital Token Services Provider

11 June 2025

On 30 May 2025, the Monetary Authority of Singapore ("**MAS**") 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 of Singapore ("**FSMA**") and issued the Guidelines on Licensing for DTSPs ("**Guidelines**").

The regulatory framework seeks to regulate DTSPs that are operating from a place of business in Singapore, or that are formed or incorporated in Singapore, but are carrying on a business of providing digital token services outside Singapore.

The regulatory framework for DTSPs will come into effect on 30 June 2025.

In this legal update, we set out to highlight the key requirements and practical considerations to be licensed as a DTSP under the FSMA.



Regulatory Approach to DTSPs under the FSMA

The regulatory framework is intended to supplement Singapore's existing cryptocurrency regulatory framework under the Payment Services Act 2019 of Singapore ("**PS Act**"), where the DTSP regime now seeks to expand the territorial outreach of its digital asset regulation.

Digital token services are defined broadly and include without limitation the following:

- (a) Buying and selling of digital tokens;
- (b) Facilitating the exchange of digital tokens;
- (c) Transferring digital tokens;
- (d) Soliciting or attempt to solicit digital tokens transactions;
- (e) Safeguarding services; and
- (f) Advisory services on the sale of digital tokens.

With the implementation of the new regulatory framework, there will be no change to what the service providers that are already licensed to provide digital payment tokens services in Singapore can do.



Key Requirements for Licensing

Some of the key requirements for obtaining the DTSP licence are, as follows:

1. Governance and Staffing

- ❖ DTSPs must have a permanent place of business in Singapore.
- ❖ DTSPs must appoint at least (for corporations) one executive director who is resident in Singapore and (for partnership or limited liability partnership) one partner or manager who is resident in Singapore.

- ❖ The key management personnel (including the directors, the Chief Executive Officer and senior management) must have the relevant experience, competencies and influence to allow them to exercise effective oversight and control.
- ❖ The key management personnel must be fit and proper.

2. Financial Requirements

- ❖ DTSPs must maintain (for corporations) a base capital of S\$250,000 or (for partnerships and limited liability partnerships) a total capital contribution of S\$250,000.

3. Business Model

- ❖ DTSPs must demonstrate to MAS' satisfaction that it has valid reasons as to why it does not intend to carry on a business of providing digital token services in Singapore, despite operating in or being formed or incorporated in Singapore.
- ❖ DTSPs must be able to comply with all regulatory obligations including relevant internationally agreed standards.

4. Compliance and Risk Management

- ❖ DTSPs are expected to have a suitably qualified, management-level compliance officer based in Singapore.
- ❖ DTSPs are required to conduct a penetration test of their digital token services, remediate all high-risks findings identified and conduct independent validation on the effectiveness of the remediation actions.
- ❖ DTSPs must put in place the necessary anti-money laundering and countering the financing of terrorism policies to comply with the requirements set out in Notice FSM-N27 to Digital Token Service Providers on Prevention of Money Laundering and Countering the Financing of Terrorism.
- ❖ DTSPs must put in place the necessary technology risk management processes and procedures to comply with the requirements set out in Notice FSM-N30 to Digital Token Service Providers on Technology Risk Management.



What this means for you

Existing unregulated DTSPs should conduct a self-assessment of its business model to determine if they will be subject to a licensing requirement under the FSMA. If so, they must suspend or cease to carry on the business providing digital token services outside Singapore by 30 June 2025 and make the necessary licence application to MAS.

Existing licensees that are licensed under the PS Act to provide digital payment token services are exempted from the requirement to hold a DTSP licence under the FSMA and need not apply to MAS for the DTSP licence. Service providers that deal with other types of tokens, such as utility or governance tokens, are not subject to licensing under the FSMA and may continue to do so.

As DTSPs are more susceptible to money laundering or terrorism financing risks due to the internet-based and cross-border nature of such services, MAS will adopt a very stringent approach and will only grant the DTSP licence under extremely limited circumstances.

It is therefore very important that DTSPs must put forth a very comprehensive licence application that meets MAS' requirements set out in the Guidelines, or risk having their application rejected by MAS. Of pertinent, DTSPs are also required to procure a legal opinion from a reputable law firm on the business model of the DTSPs and submit the legal opinion as part of their licence application.

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