

VIRTUAL CURRENCIES IN SINGAPORE – AN OVERVIEW

1. Regulatory framework

1.1 In broad terms, which legislative and regulatory provisions govern virtual currencies in Singapore?

1.1.1 There is no single framework which governs virtual currencies in Singapore and there is no statutory definition of ‘virtual currencies’ or ‘cryptocurrencies’ⁱ. The applicable legislation (and a virtual currency may fall within the regulatory ambit of more than one regime) will depend on whether the virtual currency involved falls within the relevant **definition** in the following statutes (and in answering this question, substance, not form, matters):

- Payment Services Act 2019 (“**PSA**”) – if it involves a ‘digital payment token’ or ‘e-money’; and/or
- Securities and Futures Act (Chapter 289, Singapore Statutes) (“**SFA**”) and Financial Advisers Act (Chapter 110, Singapore Statutes) (“**FAA**”) – if it involves a ‘capital markets product’.

1.1.2 Even if the relevant virtual currency falls within the definition in any of the above statutes, licensing or registration under the applicable statute is required only if the activity involving that virtual currency amounts to **carrying on business in a regulated activity** under that statute. In addition, under the PSA, the business must be carried on **in Singapore**. If licensing or registration is required, the licensee/registrant must also comply, on an on-going basis, with prescribed **business conduct requirements**.

1.1.3 In addition, if the activity involves the making of an offer or invitation in respect of certain types of capital markets product to any person in Singapore, the prospectus registration and other offering requirements and advertising restrictions will also need to be complied with. Please refer to paragraph 2.6 for more information.

1.1.4 Other legislation that should be borne in mind are:

- Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Chapter 65A, Singapore Statutes) (“**CDTA**”);
- Terrorism (Suppression of Financing) Act (Chapter 325, Singapore Statutes) (“**TSFA**”);
- Personal Data Protection Act 2012 (“**PDPA**”); and
- Competition Act (Chapter 50B, Singapore Statutes) (“**CA**”).

1.2 Which bodies are responsible for enforcing the applicable laws and regulations?

1.2.1 The Monetary Authority of Singapore (“MAS”) oversees the financial services sector and enforces the PSA, SFA and FAA.

1.2.2 The Commercial Affairs Department of the Singapore Police Force is generally responsible for enforcing the anti-money laundering and counter-terrorist financing (“AML/CFT”) regime under the CDTA and TSFA, but MAS plays a key role insofar as firms regulated by MAS are concerned. The Personal Data Protection Commission of Singapore is responsible for enforcing the PDPA. The Competition & Consumer Commission is responsible for enforcing the CA.

1.3 What is the regulators’ general approach to virtual currencies?

1.3.1 MAS is very receptive to fintech (including the use of blockchain or distributed ledger technology (“DLT”)) and has launched the FinTech Regulatory Sandbox that enables financial institutions and fintech players to experiment with innovative financial products or services in a controlled live environment.

1.3.2 MAS is a key mover behind Project Ubin, a collaborative project with the industry to explore the use of DLT for the clearing and settlement of payments and securities.

1.4 Are there any industry or trade associations?

1.4.1 Yes, ACCESS (Association of Crypto Currency Enterprises and Start-ups Singapore).

2. Definitions and regulatory requirements

2.1 What is a ‘digital payment token’ and ‘e-money’ under the PSA?

2.1.1 A ‘digital payment token’ (“DPT”) is defined as any digital representation of value:

- that is expressed as a unit;
- that is not denominated in any currency, and is not pegged by its issuer to any currency;
- that 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; and
- that can be transferred, stored or traded electronically.

2.1.2 'E-money'ⁱⁱ is defined as any electronically stored monetary value:

- that is denominated in any currency, or pegged by its issuer to any currency;
- that has been paid for in advance to enable the making of payment transactions through the use of a payment account;
- that is accepted by a person other than its issuer; and
- that represents a claim on its issuer.

2.1.3 There are thus 2 key differences between DPT and e-money. **DPT** is simply a representation of value without reference to any fiat currency, and the holder need not have a claim on the issuer. Conversely, **e-money** is any digital representation of a single fiat currency and the holder must have a claim on the issuer.

2.1.4 The first generation of cryptocurrencies ('intrinsic' tokens such as Bitcoin, Ether and XRP) are DPT but not e-money as they are not denominated, or pegged by the issuer to any currency.

2.1.5 The 'nextgen' cryptocurrencies - stablecoins such as Tether – are not DPT as they are pegged by the issuer to a currency. As a stablecoin holder can ask the issuer to redeem the stablecoin, if there is advance payment and a payment account involved, stablecoins will be e-money. Central bank digital currencies ("**CBDC**") are similar to stablecoins in these respects – thus, CBDCs may be e-money but not DPT. This paper will not cover e-money.

2.1.6 There are also 'next gen' cryptocurrencies, for e.g., Facebook's Libraⁱⁱⁱ, that will not be regulated under the PSA as they do not fall within the definition of either DPT or e-money.

2.2 What is a 'capital markets product' under the SFA and FAA?

2.2.1 Capital markets products ("**CMP**")^{iv} includes securities, units in a collective investment scheme ("**CIS**") and derivatives contracts.

2.2.2 A **security**^v is any instrument that confers or represents a legal or beneficial ownership interest in an undertaking, or a right to payment or repayment of money.

2.2.3 Generally speaking, a **CIS**^{vi} is any arrangement in respect of any property where the purpose or effect (or purported purpose or effect) of the arrangement is to enable the participants to receive profits/income from the property, provided that the participants have no day-to-day control over the management of the property, and the property is

managed as a whole by or on behalf of the CIS manager and/or there is a pooling of the participants' contributions and the profits/income arising from the property.

2.2.4 A **derivatives contract**^{vii} is any contract that involves the discharge of obligations at some future time by a party, and the value of such obligations is determined (directly or indirectly, wholly or in part) by reference to one or more underlying things.

2.2.5 An **underlying thing** includes a payment token that is the subject matter of any futures or other contract traded on an organised market established or operated by an approved exchange (but not by a recognised market operator)^{viii}.

2.2.6 A **payment token** is defined as any digital representation of value:

- that is expressed as a unit;
- the value of which is determined in any way, other than being permanently fixed by the issuer at the time when it is issued, to either a single currency or 2 or more currencies;
- that 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; and
- that can be transferred, stored or traded electronically.

The definition of a **payment token** under the SFA thus differs from the definition of a **DPT** under the PSA in that its value must be determined (but must not be permanently fixed by the issuer at the time of its issuance) by reference to one or more currencies.

2.2.7 Virtual currencies would generally not be securities or units in a CIS.

2.2.8 Notwithstanding the differences in the definitions under the PSA and SFA, the classification of the following will still be the same:

	DPT under PSA	Payment token under SFA
Bitcoin, Ether, XRP	Yes	Yes
Tether	No	No
CBDCs	No	No
Libra	No	No

2.2.9 Even if the virtual currency is a payment token, a derivatives contract on that payment token will be a CMP only if the contract is traded on an approved exchange. Such a derivatives contract, if it is traded over-the-counter or if it is traded on an organised

market run by a recognised market operator (“**RMO**”) or if it is traded on an overseas exchange (but note the comments in paragraphs 2.4.4 to 2.4.7) will not be a CMP.

2.2.10 A stablecoin that is pegged to one or more currencies will not be a payment token. However, a derivatives contract on that stablecoin will be a CMP as **underlying thing** also includes a currency and such a stablecoin will be treated as a currency.

2.2.11 In summary:

	DPT under PSA	CMP under SFA
Bitcoin, Ether, XRP	Yes	Derivatives contract traded on an approved exchange – Yes Derivatives contract not traded on an approved exchange – No
Tether	No	Derivatives contract - Yes
CBDCs	No	Derivatives contract - Yes
Libra	No	Derivatives contract - Yes

2.3 Is broking in virtual currencies regulated?

2.3.1 **PSA**: The regulated activities under the PSA includes a digital payment token service^{ix}.

2.3.2 A **digital payment token service** means, *inter alia*, facilitating on a regular basis the exchange of DPT if the facilitator comes into possession of money or DPT^x. In addition, a digital payment token service will, upon the Payment Services (Amendment) Act 2021 (“**PSA (Amdt)**”) coming into force, include inducing (or attempting to induce) any person to buy or sell DPT (that is, facilitating the exchange of DPT regardless of the regularity and regardless of whether or not the facilitator comes into possession of money or DPT).

2.3.3 When the above amendment made by the PSA (Amdt) comes into force, any broking of virtual currencies that are DPT will be a regulated activity under the PSA. Until such amendment comes into force, only broking of virtual currencies that are DPT where the broker comes into possession of money or DPT is a regulated activity under the PSA.

2.3.4 To be caught by the PSA, a person must be carrying on business in that regulated activity in Singapore. To constitute **carrying on a business**, the person must be performing the activity with system, continuity and repetition. The person will be treated as performing the activity **in Singapore** if (i) the person operates out of a physical location in Singapore;

or (ii) the employees are located predominantly in Singapore. However, this is not an exhaustive test.

- 2.3.5 If a person is carrying on business in Singapore in a regulated activity under the PSA, it will (unless it falls within an exemption)^{xi} need to hold a standard payment institution licence (“**SPIL**”) or a major payment institution licence (“**MPIL**”). The applicant for a SPIL or MPIL must be a corporation (either a Singapore-incorporated company or the Singapore branch of a foreign-incorporated company). Assuming the person carries on business only as a DPT service provider (i.e., it does not carry on business in any other regulated payment services), the person needs to hold a SPIL if the average monthly transaction value does not exceed SGD3 million. If the average monthly transaction value does exceed SGD3 million, the person will need to hold an MPIL. For a SPIL, the minimum base capital requirement is SGD100,000 and for an MPIL, it is SGD250,000.
- 2.3.6 The primary on-going business conduct requirement for DPT service providers is compliance with AML/CFT regulations and requirements. Currently, MAS does not regulate DPT service providers for safety and soundness or proper processing of DPT transactions.
- 2.3.7 **SFA:** The regulated activities under the SFA include dealing in CMP, i.e., buying or selling CMP, or inducing (or attempting to induce) any person to buy or sell CMP.
- 2.3.8 Broking a payment token derivatives contract would constitute dealing in CMP if the contract is traded on an approved exchange.
- 2.3.9 Broking a derivatives contract on stablecoins pegged to one or more currencies would also constitute dealing in CMP.
- 2.3.10 To be caught by the SFA, a person must be carrying on business, or holding itself out as carrying on business, in that regulated activity. To constitute **carrying on a business**, the person must be performing the activity with system, continuity and repetition. As the SFA has extra-territorial application, a person may be caught by the SFA even if the activity is conducted outside Singapore. The person will be deemed to be acting in Singapore if the person engages in any activity or conduct that is intended to, or is likely to, induce the public in Singapore or a section of the public to use its services.
- 2.3.11 If a person is carrying on business in a regulated activity under the SFA, it will (unless it falls within an exemption) either need to hold a capital markets services (“**CMS**”) licence for dealing in the relevant CMP or register with MAS. The CMS licence applicant must be a corporation (either a Singapore-incorporated company or the Singapore branch of

a foreign-incorporated company). The base capital requirement ranges from SGD50,000 to SGD5 million, depending on, *inter alia*, the clientele type.

2.3.12 There are extensive on-going business requirements that CMS licence holders/registrants must comply with.

2.3.13 In summary:

	Regulated activity under PSA	Regulated activity under SFA
Bitcoin, Ether, XRP	Broking on a regular basis where the broker comes into possession of money or DPT – Yes Broking (when the PSA (Amdt) comes into force) – Yes	Broking derivatives contract traded on an approved exchange – Yes Broking derivatives contract not traded on an approved exchange – No
Tether	Broking – No	Broking derivatives contract – Yes
CBDCs	Broking – No	Broking derivatives contract – Yes
Libra	Broking – No	Broking derivatives contract – Yes

2.4 **Are virtual currency trading platforms subject to a specific regulatory regime in Singapore? Does this vary depending on whether the platform accepts fiat currency or whether the platform is custodial? Are virtual currency trading platforms subject to any form of ‘market abuse’ regulation?**

2.4.1 **PSA:** A **digital payment token service** under the PSA includes:

- (a) buying or selling DPT; and
- (b) facilitating on a regular basis the exchange of DPT if the facilitator comes into possession of money or DPT.

In addition, a digital payment token service will, upon the PSA (Amdt) coming into force, include:

- (c) inducing (or attempting to induce) any person to buy or sell DPT (that is, facilitating the exchange of DPT regardless of the regularity and regardless of whether or not the facilitator comes into possession of money or DPT);

- (d) transmitting or arranging the transmission of DPT from one DPT account to another (regardless of whether those accounts are in Singapore or outside); and
 - (e) providing custodial services in respect of DPT or DPT instruments (i.e., the password or crypto key that controls access to, or the execution of a transaction involving DPT).
- 2.4.2 A person carrying on business in Singapore as the operator of all forms of trading platforms in virtual currencies that are DPT will (unless it falls within an exemption), when the above amendments made by the PSA (Amdt) comes into force, need to hold a SPIL or MPIL and comply with the on-going business conduct requirements (please refer to paragraphs 2.3.4 to 2.3.6 for more information). Until such amendments come into force, only operators that come into possession of money or DPT will be caught.
- 2.4.3 There are no 'market abuse' provisions in the PSA.
- 2.4.4 **SFA:** A person who establishes or operates, or holds itself out as operating an organised market, must be registered as an RMO or licensed as an approved exchange. Licensing as an approved exchange is required if the organised market is systemically important or if it serves retail customers.
- 2.4.5 An **organised market** includes any place or facility (whether electronic or otherwise) that facilitates on a regular basis the exchange, sale or purchase of derivatives contracts^{xii}.
- 2.4.6 A person who establishes or operates, or holds itself out as operating a trading platform for payment token derivatives contracts where the platform is accessible by retail customers in Singapore will need to be licensed as an approved exchange.
- 2.4.7 A person who establishes or operates, or holds itself out as operating a trading platform for derivatives contracts on stablecoins pegged to one or more currencies will need to be registered as an RMO, or if access by retail customers in Singapore is possible, licensed as an approved exchange.
- 2.4.8 The 'market abuse' provisions (other than those relating to insider trading) in the SFA apply to derivatives contracts.
- 2.5 **What other activities in virtual currencies are regulated?**
- 2.5.1 **PSA:** A **digital payment token service** under the PSA will (upon the PSA (Amdt) coming into force) include:

- (a) transmitting or arranging the transmission of DPT from one DPT account to another (regardless of whether those accounts are in Singapore or outside); and
 - (b) providing custodial services in respect of DPT or DPT instruments (i.e., the password or crypto key that controls access to, or the execution of a transaction involving DPT).
- 2.5.2 A person carrying on business in Singapore in remittance or custodial services involving virtual currencies that are DPT will (unless it falls within an exemption), upon the PSA (Amdt) coming into force, need to hold a SPIL or MPIL and comply with the on-going business conduct requirements (please refer to paragraphs 2.3.4 to 2.3.6 for more information).
- 2.5.3 **SFA**: The regulated activities under the SFA include **fund management** (which includes managing the property of, or operating a CIS; or undertaking the management of a CMP portfolio).
- 2.5.4 A person carrying on business of (i) managing a virtual currency fund that constitutes a CIS; or (ii) managing a portfolio that includes payment token derivatives contracts where the contracts are traded on an approved exchange and/or derivatives contracts on stablecoins pegged to one or more currencies will (unless it falls within an exemption) need to hold a CMS licence for fund management or register with MAS and comply with the on-going business conduct requirements (please refer to paragraphs 2.3.7 to 2.3.12 for more information).
- 2.5.5 **FAA**: The regulated activities under the FAA include **advising** on CMPs and **issuing research reports** on CMPs.
- 2.5.6 Similar to the SFA, to be caught by the FAA, a person must be carrying on business, or holding itself out as carrying on business, in that regulated activity. To constitute **carrying on a business**, the person must be performing the activity with system, continuity and repetition. Like the SFA, the FAA has extra-territorial application. Thus, a person may be caught by the FAA even if the activity is conducted outside Singapore. The person will be deemed to be acting in Singapore if the person engages in any activity or conduct that is intended to, or is likely to, induce the public in Singapore or a section of the public to use its services.
- 2.5.7 A person carrying on business of advising on, or issuing research reports on, payment token derivatives contracts where the contracts are traded on an approved exchange and/or derivatives contracts on stablecoins pegged to one or more currencies will

(unless it falls within an exemption) need to hold a financial adviser's licence or register with MAS and comply with the on-going business conduct requirements.

2.6 How are 'initial coin offerings' and 'security token offerings' defined and regulated in Singapore?

2.6.1 There is no statutory definition of 'initial coin offerings' or 'security token offerings'. Generally speaking, they are understood as referring to a form of digital fund-raising (typically from the public) using a virtual currency (other than a CBDC).

2.6.2 If the fund-raising amounts to an offer of a digital token that constitutes a CMP (typically, a security):

- (a) the fund-raising will have to comply with the prospectus registration and other offering requirements and advertising restrictions under the SFA;
- (b) if the CMP involved are units in a CIS, the CIS authorisation or recognition requirements, investment restrictions and business conduct requirements relating to CIS under the SFA will also need to be complied with;
- (c) intermediaries involved in the fund-raising will (unless they fall within an exemption) need to hold the appropriate licence or be registered under the SFA or FAA. The intermediaries who may be involved in a digital token offering include:
 - (i) a person who operates a platform on which one or more offerors may make a primary offer of the digital token, and/or on which the digital token may be traded in the secondary market;
 - (ii) a person who provides financial advice or issues research reports on the digital token.

A person falling under paragraph (i) may be deemed to be dealing in CMP (in which case, it will need to be licensed or registered under the SFA for dealing in CMP); or establishing or operating an organised market (in which case, it will need to be approved as an approved exchange or registered as an RMO under the SFA). A person falling under paragraph (ii) will need to hold a financial adviser's licence or be registered under the FAA. Please refer to MAS's Guide to Digital Token Offerings for more information^{xiii}.

3. Consumer protection

3.1 What consumer protection provisions apply to virtual currencies in Singapore?

- 3.1.1 MAS has issued various warnings to consumers about the high degree of risk associated with dealing in virtual currencies, including the risk of dealing with intermediaries or operators not regulated by MAS.
- 3.1.2 Where firms regulated by MAS offer or distribute payment token derivatives contracts (including those traded over-the-counter or not on an approved exchange), the firms are required to collect cash margin as follows:

	Margin requirements
Where there is a comparable payment token derivatives contract traded on an approved exchange	With retail investors - 1.5x the margin required by the approved exchange, subject to a floor of 50% of the notional value of the contract.
Where there is no comparable payment token derivatives contract traded on an approved exchange	With retail investors – at least 50% of the notional value of the contract. With non-retail investors – at least 20% of the notional value of the contract. ^{xiv}

- 3.1.3 The general consumer protections under the Consumer Protection (Fair Trading) Act (Chapter 52A, Singapore Statutes) will apply. However, the protections apply only to individuals who buy the virtual currency or who make use of a regulated financial service for personal use.

4. Trends and predictions

- 4.1 **How would you describe the current landscape and prevailing trends in your jurisdiction as regards virtual currencies? Are any new developments anticipated in the next 12 months, including any proposed legislative reforms?**

- 4.1.1 MAS is reviewing its approach to e-money and DPT under the PSA. In particular, it had invited comments on the scope of money, e-money and DPT, as well as the regulatory treatment of e-money based payment services and DPT services.^{xv}
- 4.1.2 If MAS judges that investor interest in virtual currencies has increased such that risks have become sufficiently great, MAS may require DPT service providers to make prescribed risk disclosures to customers.

ⁱ Generally speaking, MAS classifies digital tokens as (i) payment tokens, (ii) securities tokens and (iii) utility tokens, with virtual currencies falling into the payment token category. As a rough rule of thumb, payment tokens and securities tokens are regulated, while utility tokens (i.e., digital tokens which are used to access a good or service offered by the token issuer only) are not regulated.

ⁱⁱ E-money, but not DPT, is treated like money by MAS. This is because MAS considers that for a thing to be money, it must have the 3 key attributes of money, i.e., a unit of account, a medium of exchange and a store of value. As virtual currencies are not commonly used by the public as a medium of exchange and are generally a poor store of value given their volatility, they are viewed as not possessing these attributes. Hence, when drafting the PSA, the intent was to regulate e-money, but not virtual currencies, as if they were money.

ⁱⁱⁱ Libra was pegged to a basket of currencies and was thus not DPT or e-money. The position is less clear-cut with the revised version of Libra – Diem – as Diem will comprise a number of different tokens, each pegged to a single fiat currency. There will also be a multi-currency token which is a composite of the single-currency tokens (and it is hoped, eventually, of CBDCs). As the holder of the single-currency tokens will have a claim against the issuer, Diem may be e-money.

^{iv} “**capital markets products**” means any securities, units in a collective investment scheme, derivatives contracts, spot foreign exchange contracts for the purposes of leveraged foreign exchange trading, and such other products as the Authority may prescribe as capital markets products.

^v “**securities**” means -

- (a) shares, units in a business trust or any instrument conferring or representing a legal or beneficial ownership interest in a corporation, partnership or limited liability partnership;
- (b) debentures; or
- (c) any other product or class of products as may be prescribed,

but does not include -

- (i) any unit of a collective investment scheme;
- (ii) any bill of exchange;
- (iii) any certificate of deposit issued by a bank or finance company, whether situated in Singapore or elsewhere; or
- (iv) such other product or class of products as may be prescribed.

^{vi} “**collective investment scheme**” means -

- (a) an arrangement in respect of any property -
 - (i) under which the participants do not have day-to-day control over the management of the property, whether or not the participants have the right to be consulted or to give directions in respect of such management;
 - (ii) under which either or both of the following characteristics are present:
 - (A) the property is managed as a whole by or on behalf of a manager;
 - (B) the contributions of the participants, and the profits or income out of which payments are to be made to the participants, are pooled; and
 - (iii) under which either or both of the following characteristics are present:
 - (A) the effect of the arrangement is to enable the participants (whether by acquiring any right, interest, title or benefit in the property or any part of the property or otherwise) -
 - (AA) to participate in or receive profits, income, or other payments or returns arising from the acquisition, holding, management, disposal, exercise, redemption or expiry of, any right, interest, title or benefit in the property or any part of the property; or
 - (AB) to receive sums paid out of such profits, income, or other payments or returns;
 - (B) the purpose, purported purpose or purported effect of the arrangement is to enable the participants (whether by acquiring any right, interest, title or benefit in the property or any part of the property or otherwise) -
 - (BA) to participate in or receive profits, income, or other payments or returns arising from the acquisition, holding, management, disposal, exercise, redemption or expiry of, any right, interest, title or benefit in the property or any part of the property; or

-
- (BB) to receive sums paid out of such profits, income, or other payments or returns, whether or not -
- (I) the arrangement provides for the participants to receive any benefit other than those set out in sub-paragraph (BA) or (BB) in the event that the purpose, purported purpose or purported effect is not realised; or
 - (II) the purpose, purported purpose or purported effect is realised; or
- (b) an arrangement which is an arrangement, or is of a class or description of arrangements, specified by the Authority as a collective investment scheme by notice published in the Gazette,
- but does not include -
- (i) an arrangement operated by a person otherwise than by way of business;
 - (ii) an arrangement under which each of the participants carries on a business other than investment business and enters into the arrangement solely incidental to that other business;
 - (iii) an arrangement under which each of the participants is a related corporation of the manager;
 - (iv) an arrangement made by or on behalf of an entity solely for the benefit of persons, each of whom is -
 - (A) a bona fide director or equivalent person, a former director or equivalent person, a consultant, an adviser, an employee or a former employee of that entity or, where that entity is a corporation, a related corporation of that entity; or
 - (B) a spouse, widow or widower, or a child, adopted child or step-child below the age of 18 years, of such director or equivalent person, former director or equivalent person, employee or former employee;
 - (iva) an arrangement made by or on behalf of 2 or more entities solely for the benefit of persons, each of whom is -
 - (A) a bona fide director or equivalent person, a former director or equivalent person, a consultant, an adviser, an employee or a former employee of any of those entities or, where any of those entities is a corporation, a related corporation of the entity which is a corporation; or
 - (B) a spouse, widow or widower, or a child, adopted child or step-child below the age of 18 years, of such director or equivalent person, former director or equivalent person, employee or former employee;
 - (v) a franchise;
 - (vi) an arrangement under which money received by an advocate and solicitor from his client, whether as a stakeholder or otherwise, acting in his professional capacity in the ordinary course of his practice, or under which money is received by a statutory body as a stakeholder in the carrying out of its statutory functions;
 - (vii) an arrangement made by any co-operative society registered under the Co-operative Societies Act (Cap. 62) in accordance with the objects thereof solely for the benefit of its members;
 - (viii) an arrangement made for the purposes of any chit fund permitted to operate under the Chit Funds Act (Cap. 39);
 - (ix) an arrangement arising out of a life policy within the meaning of the Insurance Act (Cap. 142);
 - (x) a closed-end fund constituted either as an entity or a trust;
 - (xi) an arrangement under which the whole amount of each participant's contribution is a deposit as defined in section 4B of the Banking Act (Cap. 19);
 - (xia) an arrangement of which -
 - (A) the predominant purpose is to enable the participants to share in the use or enjoyment of the property or to make its use or enjoyment available gratuitously to others; and
 - (B) the property does not consist of any of the following:
 - (BA) any currency of any country or territory;
 - (BB) any capital markets products;
 - (BC) any policy as defined in the First Schedule to the Insurance Act (Cap. 142);
 - (BD) any deposit as defined in section 4B of the Banking Act (Cap. 19);
 - (BE) any credit facilities as defined in section 2(1) of the Banking Act;
 - (xii) an arrangement which is an arrangement, or is of a class or description of arrangements, specified by the Authority as not constituting a collective investment scheme by notice published in the Gazette.

vii "derivatives contract" means -

-
- (a) any contract or arrangement under which -
- (i) a party to the contract or arrangement is required to, or may be required to, discharge all or any of its obligations under the contract or arrangement at some future time; and
 - (ii) the value of the contract or arrangement is determined (whether directly or indirectly, or whether wholly or in part) by reference to, is derived from, or varies by reference to, either of the following:
 - (A) the value or amount of one or more underlying things;
 - (B) fluctuations in the values or amounts of one or more underlying things; or
- (b) any contract or arrangement that is, or that belongs to a class of contracts or arrangements that is, prescribed to be a derivatives contract,

but does not include -

- (i) securities;
- (ii) any unit in a collective investment scheme;
- (iii) a spot contract;
- (iv) a deposit as defined in section 4B of the Banking Act (Cap. 19), where the deposit is accepted by a bank licensed under that Act or a merchant bank approved as a financial institution under the Monetary Authority of Singapore Act (Cap. 186);
- (v) a deposit as defined in section 2 of the Finance Companies Act (Cap. 108), where the deposit is accepted by a finance company as defined in that section of that Act;
- (vi) any contract of insurance in relation to any class of insurance business specified in section 2(1) of the Insurance Act (Cap. 142); or
- (vii) any contract or arrangement that is, or that belongs to a class of contracts or arrangements that is, prescribed not to be a derivatives contract.

^{viii} Approved exchanges and recognised market operators are regulated by the MAS. There are as of 21 Sep 2021, 4 approved exchanges – Asia Pacific Exchange Pte. Ltd., Ice Futures Singapore Pte. Ltd., Singapore Exchange Derivatives Trading Limited and Singapore Exchange Securities Trading Limited; and 67 recognised market operators (including DBS Digital Exchange Pte. Ltd.).

^{ix} The other payment services regulated under the PSA are: (i) a money-changing service; (ii) an account issuance service; (iii) a domestic money transfer service; (iv) a cross-border money transfer service; (v) a merchant acquisition service; and (vi) an e-money issuance service. MAS also has oversight over payment systems under the PSA as it has power to designate a payment system, thus subjecting the payment system operator to regulatory requirements. As the subject matter of these other payment services and payment systems must be money or e-money, we will not cover them in this paper.

^x “**facilitating the exchange of digital payment tokens**” means establishing or operating a digital payment token exchange, in a case where the person that establishes or operates that digital payment token exchange, for the purposes of an offer or invitation (made or to be made on that digital payment token exchange) to buy or sell any digital payment token in exchange for any money or any digital payment token (whether of the same or a different type), comes into possession of any money or any digital payment token, whether at the time that offer or invitation is made or otherwise.

“**digital payment token exchange**” –

- (a) means a place, or a facility (whether electronic or otherwise), where -
- (i) offers or invitations to buy or sell any digital payment token in exchange for any money or any other digital payment token (whether of the same or a different type), are regularly made on a centralised basis;
 - (ii) those offers or invitations are intended, or may reasonably be expected, to result (whether directly or indirectly) in the acceptance of those offers or in the making of offers to buy or sell digital payment tokens in exchange for money or other digital payment tokens (whether of the same or a different type), as the case may be; and
 - (iii) the person making any such offer or invitation, and the person accepting that offer or making an offer in response to that invitation, are different persons; but
- (b) does not include a place or facility (whether electronic or otherwise) that is used exclusively by one person to do only either or both of the following things:

-
- (i) to make offers or invitations to buy or sell any digital payment token in exchange for any money, or any digital payment token (whether of the same or a different type);
 - (ii) to accept any offer to buy or sell any digital payment token in exchange for any money, or any digital payment token (whether of the same or a different type).

^x_i Licensed banks, merchant banks, finance companies and credit/charge card issuers are exempt from having to obtain a licence under the PSA.

^x_{ii} “**organised market**” means (a) a place at which, or a facility (whether electronic or otherwise) by means of which, offers or invitations to exchange, sell or purchase derivatives contracts, securities or units in collective investment schemes, are regularly made on a centralised basis, being offers or invitations that are intended or may reasonably be expected to result, whether directly or indirectly, in the acceptance or making, respectively, of offers to exchange, sell or purchase derivatives contracts, securities or units in collective investment schemes (whether through that place or facility or otherwise).

^x_{iii} <https://www.mas.gov.sg/-/media/MAS/Sectors/Guidance/Guide-to-Digital-Token-Offerings-26-May-2020.pdf>

^x_{iv} Extending the margin requirements to non-retail customers appears inconsistent with MAS’ position during the consultation. <https://www.mas.gov.sg/publications/consultations/2019/consultation-paper-on-proposed-regulatory-approach-for-derivatives-contracts-on-payment-tokens>

^x_v https://www.mas.gov.sg/-/media/MAS/resource/publications/consult_papers/2019/Consultation-on-the-Payment-Services-Act-2019---Scope-of-E-money-and-Digital-Payment-Tokens/Consultation-on-the-Payment-Services-Act-2019---Scope-of-Emoney-and-Digital-Payment-Tokens-MAS.pdf