Common deficiencies

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Applications stall for predictable reasons. The list below is drawn from the matters that have delayed or ended the applications I have seen.

The management is not in Singapore. The application names a Singapore-resident chief executive, but the decisions are visibly taken by the foreign parent, the compliance officer reports to a group head abroad and the Singapore board meets by circulation. MAS will ask who decides, to which the answer must be the Singapore board and management.

The AML framework is a template. The policies are a global exchange's documents with the name changed, they refer to procedures that do not exist in Singapore and the risk assessment does not address the applicant's actual products and customers. MAS reads the policies closely and will ask the compliance officer to walk through a transaction.

The custody architecture is not understood by the applicant. The wallet infrastructure is provided by a vendor, the key ceremony is described in the vendor's marketing material and the applicant cannot explain who holds which key shard or how a withdrawal is approved. MAS expects the applicant to control the keys or to show that the vendor is itself a regulated custodian under an outsourcing arrangement.[1]

The business model drifts. The application describes an institutional over-the-counter desk while the website describes a retail exchange. The projections assume both. MAS licenses a defined business and will not approve a licence for a model that the applicant has not settled.

The source of capital is unclear. The share capital was paid by a foreign holding company whose own funding came from token sales, which the applicant cannot document. MAS applies the same source of funds analysis to the applicant's capital that the applicant will have to apply to its customers.

The independent assessment is late or qualified. The assessor's report identifies gaps that the applicant has not closed, or the assessment was done on draft policies. MAS will wait for a clean report and will not approve on the basis of a remediation plan.

The applicant is in a hurry. Public statements that the licence is "imminent", marketing to Singapore customers before approval, or a token launch timed to the expected licence date all signal to MAS that the applicant does not understand the process. MAS has withdrawn in-principle approvals where the applicant commenced regulated activity before the licence was granted.

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Notes

1. MAS, Guidelines on Outsourcing, October 2018 as revised, on material outsourcing arrangements, due diligence on service providers and MAS's right of access.

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