Licensing of intermediaries

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The SFA regulates the intermediaries around a token as well as the offer. A person who carries on a business of any regulated activity in the Second Schedule must hold a capital markets services (CMS) licence under s. 82 or be exempt. The regulated activities include dealing in capital markets products, fund management, advising on corporate finance and providing custodial services.[1] A primary market platform that arranges the sale of tokenised shares is dealing in capital markets products. A custodian that holds tokenised securities for clients is providing custodial services. A manager of a tokenised fund is carrying on fund management. A platform that advises issuers on structuring their offers may be advising on corporate finance.

The CMS licence is more demanding than the payment licence in capital, conduct and reporting. Base capital for dealing in capital markets products starts at S$ 250,000 for a firm that does not hold customer assets and rises to S$ 1 million or more for a firm that does, with risk-based capital requirements on top.[2] The conduct rules in the Securities and Futures (Licensing and Conduct of Business) Regulations govern customer assets, segregation, disclosure and record-keeping. The Financial Advisers Act 2001 adds a further layer where the intermediary gives advice on tokenised products to investors.

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A Swiss reader will note the parallel to the Financial Institutions Act (FinIA; FINIG), where a securities firm licence covers dealing and a portfolio manager or manager of collective assets licence covers management (see Part E, Chapter III). The Singapore CMS licence is a single licence with activity-specific scope, so a firm that wants to deal, manage and hold custody applies once for three regulated activities. Singapore has no equivalent of the Swiss portfolio manager under the lighter supervisory organisation regime: every CMS licensee is supervised directly by MAS.

Notes

1. SFA, s. 82(1) and Second Schedule, Part 1, regulated activities including dealing in capital markets products, fund management, providing custodial services and advising on corporate finance. ↩
2. Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations, Second Schedule, base capital requirements by regulated activity. ↩

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