Markets: approved exchanges and recognised market operators

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A platform on which tokenised capital markets products are traded is operating an organised market. Section 6 SFA prohibits the establishment or operation of an organised market unless the operator is an approved exchange or a recognised market operator (RMO), or is exempt.[1] The approved exchange status is reserved for systemically important markets, in practice the Singapore Exchange. The RMO status is the route for tokenised securities platforms. ADDX (formerly iSTOX) obtained RMO status together with a CMS licence in 2020 after a MAS sandbox period, and other platforms followed.[2] MAS introduced a three-tier RMO framework in 2018 with lighter requirements for smaller markets, which has helped tokenisation platforms with limited volumes.

The RMO regime requires the operator to have rules governing admission, trading, clearing and settlement, to ensure fair and orderly trading, to manage conflicts of interest and to notify MAS of material changes. For a tokenised securities venue the settlement question is central. If the platform settles trades on the ledger, it is performing a clearing or settlement function that may require separate approval as a clearing house or a depository, a point addressed in Chapter VII.

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Notes

1. SFA, Part 2, Division 1, ss 6 to 9, on the prohibition on operating an organised market and the approval of exchanges and recognition of market operators. ↩
2. MAS press and licensing records on the recognition of iSTOX (now ADDX) as a recognised market operator in 2020 following the FinTech Regulatory Sandbox. ↩

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