The digital payment token service after the 2021 amendments

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The original 2019 definition of a DPT service covered two activities: dealing in DPTs, meaning buying or selling DPTs in exchange for money or other DPTs, and facilitating the exchange of DPTs where the provider came into possession of the money or tokens.[1] Within a year MAS recognised that the perimeter was narrower than the FATF standard for virtual asset service providers, which also covers transfer and custody. The Payment Services (Amendment) Act 2021 was passed by Parliament on 4 January 2021 to widen the definition. Its commencement was repeatedly deferred while MAS consulted on the accompanying rules.[2] The amended provisions were gazetted on 28 March 2024 and came into operation on 4 April 2024.[3]

Since 4 April 2024 a digital payment token service comprises five activities. The first two are the original ones: dealing in DPTs and facilitating the exchange of DPTs where the provider takes possession. The three additions are the transfer of DPTs, the provision of custodial wallet services, and facilitating the exchange of DPTs without taking possession of money or tokens. Transfer means inducing or arranging a transfer from one account to another. Custody means safeguarding DPTs, or the instruments enabling control over them, on behalf of customers, while

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the non-possessory facilitation limb captures brokers and arrangers.[4] The last addition is the one that caught most new firms. An introducer who matches buyers and sellers of tokens for a fee is a DPT service provider even though it never touches customer assets. The same applies to an "over-the-counter desk" that only routes orders to a foreign exchange.

The amendment also gave MAS the power to impose user protection measures on DPT service providers. That power became the legal basis for the segregation and custody rules discussed in Chapter II.[5] The transitional arrangements were tight, since a firm already carrying on one of the newly regulated activities on 4 April 2024 could rely on a six-month exemption only on three conditions. It had to notify MAS by 3 May 2024 and apply for a licence by 4 October 2024, after which it had to lodge an external auditor's attestation of its AML and segregation policies by 4 January 2025.[6] Firms that missed the notification had to stop the activity, while those that notified and applied are in many cases still awaiting a decision as at mid-2026, operating under the exemption.

Dealing in digital payment tokens

Dealing is the core activity of any exchange, broker or market maker. The Act does not distinguish between principal and agency dealing. A proprietary trading firm that only trades its own book is therefore not dealing "as a service" and falls outside the perimeter, whereas the same firm quoting prices to clients is dealing. MAS has drawn the line at whether the activity is carried on as a business for others. Treasury sales by a token issuer to the public at launch have been treated as dealing where they are a recurring business. Many Singapore-incorporated issuers therefore route primary sales through a licensed distributor or conduct them from a foreign affiliate.

Facilitating exchange with or without possession

The distinction between the two "facilitating" limbs is possession, so a centralised exchange operating an order book and holding customer balances falls under the original limb. A non-custodial matching service, a broker that routes orders, or a platform that connects buyers to liquidity providers falls under the 2024 limb. The

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non-custodial design that often avoids licensing in Switzerland (see Part F, Chapter II) therefore no longer helps in Singapore. The only remaining escape is the "technical service provider" exclusion in Part 2 of the First Schedule. It covers persons that provide only technical infrastructure, such as hosting or software, that at no point possess money or tokens and that do not themselves arrange the exchange.[7] Writing and maintaining a smart contract for a third party remains outside the Act. Running a front-end that lets customers trade on it, charging a fee and curating the token list, usually does not.

Transfer of digital payment tokens

The transfer limb catches remittance in tokens, which means that a business that accepts a customer's instruction to send tokens to a third party's address provides a DPT transfer service, whether the purpose is payroll, merchant settlement or cross-border remittance. Stablecoin-based payment companies are licensed under this limb where they handle unpegged tokens. It is also the limb to which the travel rule in MAS Notice PSN02 attaches (see Part L, Chapter III).

Custodial wallet services

The custody limb is defined by control, so that a provider that safeguards DPTs, or the private keys or other instruments enabling control over DPTs, for customers is providing a custodial wallet service. The reference to instruments enabling control was included to capture multi-party computation arrangements where the provider holds one key shard and the customer another. MAS has indicated that a provider holding a shard without which the customer cannot move the tokens is within the limb. A pure software wallet whose developer never holds any key material is outside.[8] The question is identical to the one Swiss law asks under Art. 16 BankA and Art. 242a DEBA, discussed in Part D, Chapter IV. The consequence differs, because in Switzerland custody alone can lead to a banking licence question while in Singapore it leads to a payment licence and to the segregation duties in Chapter II.

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Notes

1. PSA, First Schedule, Part 3, definition of "digital payment token service" as originally enacted (Act 2 of 2019). ↩
2. Payment Services (Amendment) Act 2021 (No. 1 of 2021); MAS Consultation Paper on the Payment Services Act 2019: Proposed Amendments to the Act, 23 December 2019. ↩
3. Drew & Napier, "The expanded scope of regulated payment services takes effect today", 4 April 2024, recording that the Payment Services (Amendment) Act 2021 was gazetted on 28 March 2024 and commenced on 4 April 2024. ↩
4. PSA, First Schedule, Part 3, definition of "digital payment token service", paras (a) to (e), as amended by Act 1 of 2021 with effect from 4 April 2024. ↩
5. PSA, s. 23A (as inserted by Act 1 of 2021), power to prescribe measures for the protection of users of DPT services. ↩
6. Drew & Napier, 4 April 2024 (above): notification by 3 May 2024, licence application by 4 October 2024, auditor's attestation by 4 January 2025 to preserve the exemption until the application is decided. ↩
7. PSA, First Schedule, Part 2, exclusion for services provided by a "technical service provider" that supports the provision of a payment service. ↩
8. MAS, Frequently Asked Questions on the Payment Services Act 2019, section on digital payment token services (custodial wallets and key shards), as revised 2024. ↩

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