The e-money and digital payment token boundary

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E-money is defined in s. 2(1) of the Act as electronically stored monetary value that is denominated in or pegged to a currency, has been paid for in advance to enable payment transactions, is accepted by a person other than the issuer and represents a claim on the issuer.[1] The definitions of e-money and DPT are mutually exclusive by design, since the DPT definition excludes anything pegged by its issuer to a currency, while the e-money definition requires a currency denomination or peg. A stablecoin therefore falls into one of three boxes. If the issuer pegs it to a currency and it is a claim on the issuer paid for in advance, it is e-money and the issuer provides an e-money issuance service. If it is pegged to a currency by market mechanism alone and no issuer promise exists, as with an algorithmic stablecoin, it is a DPT. If it is pegged to a commodity or to a basket, it is a DPT because the peg is not to a currency.

The boundary matters for three reasons. First, the e-money issuer faces the float limit of S$ 5 million for an SPI and safeguarding duties for an MPI, together with a prohibition on paying interest on the float.[2] Second, a DPT service provider is subject to the consumer access restrictions discussed in Chapter III, whereas an e-money issuer is not. Third, the AML notices differ: PSN01 for e-money and the

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other fiat-side services, PSN02 for DPT services. The August 2023 stablecoin framework, discussed in Chapter VI, is intended to overlay a specific "stablecoin issuance service" on this boundary for single-currency stablecoins pegged to the Singapore dollar or a G10 currency. Until that framework is enacted, a Singapore-dollar stablecoin issuer is licensed for e-money issuance. An issuer of a token pegged to a currency without a redemption claim is licensed for DPT services.

Cross-border perspective

A Zug issuer of a Swiss franc stablecoin that wants to distribute in Singapore meets two regimes that classify the same token differently. In Switzerland, FINMA's 2019 supplement and its Guidance 06/2024 treat a redeemable currency-pegged token as a deposit. That triggers the Banking Act unless a bank guarantee structure or a fintech licence is used (see Part E, Chapter VII). In Singapore the same token is e-money, triggering the e-money issuance service, or a DPT if there is no redemption claim against the issuer. A Singapore distributor that sells the token for Singapore dollars is dealing in a DPT if the token is a DPT. Where the token is e-money, the distributor provides a payment service only if it issues or redeems the token. The classification should be settled in both jurisdictions before the token design is frozen. The Singapore answer depends on whether the issuer "pegs" the token. The Swiss answer depends on whether holders have a claim to redemption.

Notes

1. PSA, s. 2(1), definition of "e-money", paras (a) to (d). ↩
2. PSA, ss 6(5)(c) and 23 (safeguarding of relevant money, including e-money float). ↩

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