The Financial Services and Markets Act perimeter

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The Financial Services and Markets Act 2022 added to MAS's enforcement powers in three ways that matter for digital assets. It created the harmonised prohibition-order regime described above. It gave MAS power to issue directions and impose requirements on any financial institution and on specified classes of persons for technology-risk management, with civil penalties of up to S$ 1 million for breaches. And it created the Part 9 licensing regime for digital token service providers that serve only overseas customers, whose commencement on 30 June 2025 produced the first significant perimeter enforcement in the sector.[1]

The commencement was preceded by a MAS statement of 6 June 2025. It said that no transitional period would be given, that licences would be granted only in extremely limited circumstances and that entities which could not obtain a licence must cease the regulated activity by the deadline. Several dozen entities, many of them the Singapore-incorporated operating or holding companies of offshore exchanges, restructured by moving the activity to another jurisdiction, by dissolving the Singapore entity or by relocating staff. MAS published no list of those affected and brought no publicised prosecution in the first year, but it has used the regime to

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require entities to demonstrate that they no longer provide digital token services from Singapore. The policy history and the structuring responses are in Part K, Chapter V and Part P, Chapter IV.[2]

Singapore perspective

A Swiss group with a Singapore subsidiary that provides services to the group's non-Singapore customers must ask whether the subsidiary provides a "digital token service" from Singapore within Part 9. The answer turns on where the service is provided, which MAS reads by reference to where the people and systems that provide it are located. A Singapore company that employs the compliance team and the engineers for a Zug-based exchange serving European customers is, on MAS's reading, providing a digital token service from Singapore to persons outside Singapore and needs a licence it is unlikely to obtain. The practical solutions are to move the regulated functions to Zug and keep only support functions in Singapore, to obtain a Payment Services Act licence and serve Singapore customers as well, or to close the Singapore entity. Groups that chose the first route in 2025 should document the division of functions carefully, because MAS has asked for that documentation.

Notes

1. Financial Services and Markets Act 2022, Parts 3, 5 and 9, Singapore Statutes Online. ↩
2. MAS, "Response to feedback received on proposed regulatory approach for digital token service providers under the Financial Services and Markets Act 2022", 30 May 2025, and clarification of 6 June 2025. ↩

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