The Singapore taxonomy

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Singapore classifies by statute, with MAS guidance filling the gaps. Four categories carry legal weight.

A digital payment token (DPT) is defined in s. 2(1) of the Payment Services Act 2019. It is a digital representation of value that is expressed as a unit, is denominated in no currency and is pegged by its issuer to none. It must be, or be intended to be, a medium of exchange accepted by the public or a section of the public as payment for goods or services or the discharge of a debt. It must be capable of being transferred, stored or traded electronically.[1] Bitcoin and Ether are DPTs. So, since the 2021 amendments, is any token that satisfies the definition irrespective of whether it is also a security, because the two regimes operate in parallel.

E-money is defined in the same section as electronically stored monetary value denominated in a currency, paid in advance, representing a claim on the issuer, and accepted as payment by persons other than the issuer. The dividing line between e-money and a DPT is denomination in currency. A fiat-pegged stablecoin that gives the holder a redemption claim against the issuer may be e-money. That is why MAS's single-currency stablecoin framework of 2023 was designed as an overlay on the e-money and DPT regimes, and why the legislative implementation has taken until 2026.[2]

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A limited-purpose DPT is excluded from the DPT definition by s. 2(1) read with the Payment Services Regulations. The exclusion covers tokens usable only within a closed system, such as in-game assets or loyalty points, which cannot be exchanged for money or other DPTs outside that system.[3] The exclusion is narrow. The moment a game token trades on a secondary market for Ether it loses the exclusion.

A capital markets product is the securities-law category. Under s. 2(1) of the Securities and Futures Act 2001 it covers securities (shares, debentures, units in a business trust), units in a collective investment scheme, derivatives contracts and spot foreign exchange contracts for leveraged trading. MAS's Guide to Digital Token Offerings, first issued in November 2017 and most recently revised in May 2020, applies these definitions to tokens through a series of case studies. The Guide makes clear that a token conferring an equity interest, a debt claim or a right to participate in a pooled investment is a capital markets product however it is described.[4]

The structural difference from Switzerland is that Singapore's DPT definition is a licensing trigger in its own right. A Swiss payment token triggers the AMLA, which requires SRO affiliation and no licence. A Singapore DPT triggers the Payment Services Act, which requires a licence for anyone who deals in, exchanges, transfers or custodies it. For the same business model, the entry cost in Singapore is therefore higher and the regulatory relationship closer, a theme Part O, Chapter I develops.

Notes

1. Payment Services Act 2019 (Singapore), s. 2(1), definition of "digital payment token"; the statutory text is on Singapore Statutes Online under Act 2 of 2019. ↩
2. MAS, Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-Related Activities, 15 August 2023, section 2 (scope: single-currency stablecoins pegged to the Singapore dollar or a G10 currency; relationship with e-money). Chapter IV and Part K, Chapter VI. ↩

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3. Payment Services Act 2019 (Singapore), s. 2(1), definition of "limited purpose digital payment token", and Payment Services Regulations 2019, reg. 2. ↩
4. MAS, A Guide to Digital Token Offerings, revised 26 May 2020, paras 2.1–2.7 and the case studies in the Annex. Part K, Chapter IV. ↩

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