The Trust Companies Act 2005

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Carrying on trust business in Singapore requires a licence under the Trust Companies Act 2005 unless an exemption applies. Trust business means the provision of services as a trustee, the arranging of such services, and the provision of trust administration services, as defined in the Act.[1] The exemptions that matter in practice cover private trust companies that act only for connected family trusts, lawyers and accountants acting in the course of their profession, and persons acting as trustee of a single trust without remuneration.[2] Licensed trust companies are subject to MAS Notice TCA-N03 on anti-money laundering, which imposes customer due diligence duties on the trustee in respect of settlors, beneficiaries and controllers, and which treats digital-asset settlements as higher risk requiring enhanced source-of-wealth verification.[3]

Whether a licensed trust company may hold crypto assets for its trusts is not a question the Act answers. It may. The question is whether it should hold them directly or through a sub-custodian. Holding directly means the trust company controls the private keys. That brings the operational and insurance problems described above. It may also bring the trust company within the definition of a digital payment token custody service if it holds tokens for third parties as a business. Most licensed trust companies in Singapore therefore hold through a

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licensed custodian under a trust-over-trust structure. The trust company is the beneficiary of the custody trust, while the family trust's beneficiaries are the beneficiaries of the trust company's trust. The arrangement adds a layer but keeps each party within its licence.

Notes

1. Trust Companies Act 2005, s 3 and First Schedule (definition of trust business) and s 5 (requirement for a trust business licence). ↩
2. Trust Companies (Exemption) Regulations, in particular the exemption for private trust companies administered by a licensed trust company. ↩
3. MAS Notice TCA-N03 on Prevention of Money Laundering and Countering the Financing of Terrorism – Trust Companies, as amended. ↩

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