Digital token service providers under the FSMA

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

The Financial Services and Markets Act 2022

The Financial Services and Markets Act 2022 is an omnibus statute that gives the Monetary Authority sector-wide powers over financial institutions. Passed by Parliament on 5 April 2022, it came into force in phases: the general powers, the provisions on money laundering and the dispute resolution schemes on 28 April 2023, technology risk management and resolution on 10 May 2024, the harmonised power to issue prohibition orders on 31 July 2024, and the regime for digital token service providers on 30 June 2025.[1] The place of the Act in the wider architecture of Singapore's financial legislation is discussed in Chapter E.I.

The reputational gap

The rationale for Part 9 was set out in the explanatory brief published when the bill was introduced on 14 February 2022. Under the Payment Services Act, a firm needed a licence only if it provided services in Singapore. A company incorporated in Singapore that served customers exclusively abroad, typically through a website accessible worldwide, escaped regulation for money laundering purposes. The

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

standards of the Financial Action Task Force required virtual asset service providers to be licensed or registered at least in the jurisdiction where they were created, because no single jurisdiction otherwise had adequate oversight of a business that existed only online. The Monetary Authority also considered that all transactions in digital tokens carry "higher inherent ML/TF risks due to their anonymity and speed".[2]

Alvin Tan, Minister of State, stressed the reputational dimension when he moved the second reading on 4 April 2022. He said that firms created in Singapore which provided no services locally were not regulated for money laundering purposes and that this gap created a reputational risk for the financial centre.[3] The case of Three Arrows Capital, which unfolded in the weeks after the Act was passed, illustrated the risk.

Scope of Part 9

Part 9 applies to digital token services, a term wider than the digital payment token services of the Payment Services Act. A digital token includes both a digital payment token and a digital representation of a capital markets product that can be transferred, stored or traded electronically. The regulated services include dealing in digital tokens, facilitating their exchange, inducing others to buy or sell them, accepting them for transmission, safeguarding tokens or the instruments that control them, and giving financial advice on their offer or sale.[4] The licensing requirement applies to individuals and partnerships operating from Singapore and to companies formed in Singapore, whenever they provide such services outside Singapore.[5]

Licensees were to have a meaningful presence in Singapore so that the Monetary Authority could supervise them effectively. The brief mentioned a permanent place of business, a person present at set times to answer queries from the authorities, the prompt provision of transaction records and financial requirements. Their obligations on money laundering were to align with those of digital payment token service providers under the Payment Services Act.[6]

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

The licensing policy of June 2025

The decisive moment came three years after enactment. After publishing its response to the consultation on the requirements for digital token service providers on 30 May 2025, the Monetary Authority issued a clarification on 6 June 2025 that left the industry in no doubt. From 30 June 2025, firms providing services solely to customers outside Singapore, in relation to digital payment tokens or tokens of capital markets products, would need a licence. The authority stated that it "has set the bar high for licensing and will generally not issue a licence", because of the higher risks of money laundering and its inability to supervise effectively where the substantive regulated activity took place outside Singapore.[7]

Firms affected by the regime had to cease their regulated activities when it took effect. The authority offered to discuss an orderly wind-down with them. The clarification also confirmed that providers serving customers in Singapore remained regulated under the Payment Services Act, the Securities and Futures Act or the Financial Advisers Act, and that firms dealing only in utility and governance tokens were outside the new regime.[8]

Consequences for the industry

The policy of June 2025 had the effect of an exit order for a part of the industry. A number of exchanges and service providers that had incorporated in Singapore for its reputation, its talent and its tax system, while serving customers in other markets, had to move their operations to other jurisdictions or close them. Dubai, Hong Kong and Abu Dhabi were the most frequently cited destinations.[9] According to the same reports, the industry criticised the short notice and the absence of a transitional period. The Monetary Authority accepted the cost because it regarded firms whose business was conducted elsewhere as a source of risk without corresponding benefit to Singapore.

The regime fits a pattern that recurs throughout this book. Singapore welcomes financial activity that adds substance in the city, in the form of employees, capital, governance and supervision. It is wary of activity that uses the city's name without

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

that substance. The same logic governs the treatment of single family offices described in Chapter E.III and the integrity measures adopted after the money laundering case of 2023, examined in Chapter E.VI.

Notes

1. MAS, "Financial Services and Markets Act 2022", mas.gov.sg (regulation/acts): passed 5 April 2022; Phase 1 on 28 April 2023 (Parts 2, 4, 6, 10, 11 and 12); Phase 2A on 10 May 2024 (Parts 5, 7 and 8); Phase 2B on 31 July 2024 (Part 3); Phase 3 on 30 June 2025, implementing the framework for digital token service providers in Part 9. ↩
2. MAS, "Explanatory Brief for Financial Services and Markets Bill 2022", 14 February 2022: VASPs to be licensed or registered where created, to reduce regulatory arbitrage; DT service transactions carry "higher inherent ML/TF risks due to their anonymity and speed". ↩
3. MAS, "Financial Services and Markets Bill", Second Reading Speech by Mr Alvin Tan, Minister of State, on behalf of Mr Tharman Shanmugaratnam, 4 April 2022: the regulatory gap for Singapore-created firms providing DT services only outside Singapore creates reputational risk; the Bill "will regulate all persons in Singapore who conduct a business of providing DT services purely outside Singapore". ↩
4. MAS, "Explanatory Brief for Financial Services and Markets Bill 2022", 14 February 2022, listing the six types of DT services and defining a DT to include a digital payment token under the PS Act and a digital representation of a capital markets product. ↩
5. Financial Services and Markets Act 2022, s. 137 (prohibition on carrying on a business of providing digital token services outside Singapore without a licence). ↩
6. MAS, "Explanatory Brief for Financial Services and Markets Bill 2022", 14 February 2022: possible licensing requirements include a permanent place of business in Singapore, a person present to handle AML/CFT queries, timely

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

provision of transaction records and prescribed financial requirements; AML/CFT requirements aligned with those for DPT service providers under the PS Act. ↩

7. MAS, media release "MAS Clarifies Regulatory Regime for Digital Token Service Providers", 6 June 2025: response to consultation feedback issued on 30 May 2025; DTSPs serving solely customers outside Singapore need a licence from 30 June 2025; MAS "has set the bar high for licensing and will generally not issue a licence". ↩
8. Ibid.: unlicensed DTSPs "will have to cease their regulated activities"; MAS has contacted affected parties to discuss "an orderly wind-down"; providers serving Singapore customers remain regulated under the PS Act, SFA or FAA; utility and governance tokens not covered. ↩
9. Press reports of June 2025 (e.g. *The Straits Times, The Business Times,* CoinDesk) on crypto firms relocating staff from Singapore to Dubai, Hong Kong and other centres following the MAS clarification of 6 June 2025. ↩

Disclaimer

This article is provided for general information only. It is based on publicly available sources as at its date of publication. These sources have not been independently verified against licences, regulatory registers or the records of the entities concerned. It is not legal, tax, financial or investment advice. Nor is it a recommendation to invest in, transact with or use the services of any entity mentioned. Law and regulation change frequently, so the content may be incomplete or outdated. To the fullest extent permitted by law, Dr Alexander Ressos and the publisher of SingaporeIQ exclude all liability for loss or damage arising from the use of or reliance on this article. Readers should obtain advice on their specific circumstances before acting or refraining from action.

Names and trademarks of the entities discussed belong to their owners and are used for identification only. Their mention implies no endorsement, affiliation or allegation of wrongdoing. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. Corrections and updates: contact@ressos.com.

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

© 2026 Dr Alexander Ressos. This article may be quoted with attribution to SingaporeIQ (SingaporeIQ.com). Reproduction in full and any commercial use require prior written consent. The Legal Terms at https://singaporeiq.com/legal-terms apply.

Author contact: Dr Alexander Ressos, TEP · contact@ressos.com

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.