

MAS clarifies regulatory position on the offer of digital tokens in Singapore

Singapore, 1 August 2017... The Monetary Authority of Singapore (MAS) clarified today that the offer or issue of digital tokens in Singapore will be regulated by MAS if the digital tokens constitute products regulated under the Securities and Futures Act (Cap. 289) (SFA). MAS' clarification comes in the wake of a recent increase in the number of initial coin (or token) offerings (ICOs) in Singapore as a means of raising funds.

2 A digital token is a cryptographically-secured representation of a token-holder's rights to receive a benefit or to perform specified functions. A virtual currency is one particular type of digital token, which typically functions as a medium of exchange, a unit of account or a store of value.

3 ICOs are vulnerable to money laundering and terrorist financing (ML/TF) risks due to the anonymous nature of the transactions, and the ease with which large sums of monies may be raised in a short period of time. MAS' media release of 13 March 2014 had communicated that while virtual currencies per se were not regulated, intermediaries in virtual currencies would be regulated for ML/TF risks. MAS is currently assessing how to regulate ML/TF risks associated with activities involving digital tokens that do not function solely as virtual currencies.

4 MAS' position of not regulating virtual currencies is similar to that of most jurisdictions. However, MAS has observed that the function of digital tokens has evolved beyond just being a virtual currency. For example, digital tokens may represent ownership or a security interest over an issuer's assets or property. Such tokens may therefore be considered an offer of shares or units in a collective investment scheme¹ under the SFA. Digital tokens may also represent a debt owed by an issuer and be considered a debenture under the SFA.

5 Where digital tokens fall within the definition of securities in the SFA, issuers of such tokens would be required to lodge and register a prospectus with MAS prior to the offer of such tokens, unless exempted. Issuers or intermediaries of such tokens would also be subject to licensing requirements under the SFA and Financial Advisers Act (Cap. 110), unless exempted, and the applicable requirements on anti-money laundering and countering the financing of terrorism. In addition, platforms facilitating secondary trading of such tokens would also have to be approved or recognised by MAS as an approved exchange or recognised market operator respectively under the SFA.

6 The types of digital tokens offered in Singapore and elsewhere vary widely. Some offers may be subject to the SFA while others may not be. All issuers of digital tokens, intermediaries facilitating or advising on an offer of digital tokens, and platforms facilitating trading in digital tokens should therefore seek independent legal advice to ensure they comply with all applicable laws, and consult MAS where appropriate.

¹ *Examples of schemes falling under the revised definition of a collective investment scheme are found in Section 3 of the Consultation Paper on Proposals to Enhance Regulatory Safeguards for Investors in the Capital Markets, July 2014.*