

Financial Institutions

New MAS Guidelines Restricts Promoting Digital Payment Token Services to Singapore Public

Executive Summary

With the global fervour from retail investors surrounding the trading of cryptocurrencies (many of which would be regulated under the Singapore Payment Services Act 2019 ("**PS Act**") in Singapore as digital payment tokens ("**DPTs**"), the Monetary Authority of Singapore ("**MAS**") stance has been, and remains, that trading in DPTs carries very high risk and is unsuitable for the Singapore general public.

MAS noted that certain DPT service providers have been promoting DPT services online and through printed advertisements, as well as via automated teller machines that facilitate trading in DPTs, commonly known as "crypto ATMs". In view thereof, MAS issued a set of "*Guidelines on Provision of Digital Payment Token Services to the Public*" outlining restrictions on DPT service providers concerning the promotion of DPT services to the Singapore public ("**Guidelines**"). The Guidelines also set out new expectations of MAS for DPT service providers licensed or regulated under the PS Act to restrict the provision of payment token derivatives services.

We highlight below the key takeaways from the Guidelines which participants in the DPT space should take note of.

Background

Currently, entities that provide DPT services are regulated under the PS Act mainly for money laundering and terrorism financing risk, as well as technology risks. DPT services regulated under the PS Act at present include the services of dealing in DPTs and facilitating the exchange of DPTs.

Entities that the Guidelines apply to include standard payment institution licensees and major payment institution licensees licensed to provide DPT services under the PS Act, entities exempted from such licensing requirements under the PS Act (such as banks), as well as entities which have been providing DPT services prior to the PS Act coming into force and are currently having their licence applications reviewed by MAS but in the meantime relying on the transitional period licence exemption under the Payment Services (Exemption for Specified Period) Regulations 2019 (collectively, "**DPT service providers**").



Financial Institutions

Restrictions on Promoting DPT Services to Singapore Public

Under the Guidelines, DPT service providers are not allowed to:

- Promote their DPT services in public areas in Singapore, or through any media that is directed at the general Singapore public. Examples include advertisements on Singapore public transport, public transport venues, third party websites, social media platforms (such as pop-up advertisements), public events or roadshows;
- Portray DPT trading in any way that does not highlight the high risks involved in its trading;
- Promote their DPT services to the general public in Singapore by engaging third parties or any joint promotional campaigns to promote DPT services to the public, for instance social media influencers or third-party websites.

MAS also made clear that they view the provision of in-person access to DPT services in public areas through the use of ATMs as a form of promotion of DPT services to the general public (as such convenient access could mislead the public into trading DPTs on impulse without considering the risks of trading in DPTs). Therefore, DPT service providers also should not provide any such physical cryptocurrency ATMs in public areas in Singapore to facilitate access to DPT services.

DPT service providers may however promote their services on their own corporate website, mobile applications, or official social media accounts, subject to them not trivialising the risks of trading in DPTs in a manner that is inconsistent with or contradicts the risk disclosures under the PS Act.

Restrictions on provision of Payment Token Derivative Services

MAS also set out in the Guidelines that DPT service providers should not promote or offer derivatives contracts that reference DPTs as the underlying thing ("payment token derivatives" or "**PTDs**") e.g. contracts-for-differences or futures contracts, stating that these are not regulated by MAS unless they are offered by or traded on an approved exchange that has been approved as such under the Singapore Securities and Futures Act 2001.

At present, the approved exchanges in Singapore are the Singapore Exchange Securities Trading Limited, Singapore Exchange Derivatives Trading Limited, ICE Futures Singapore Pte Ltd, and Asia Pacific Exchange Pte Ltd. The policy rationale for this appears to be that MAS does not wish the public to be confused into thinking that PTD services offered by regulated DPT service providers are regulated by MAS and subject to consumer protection safeguards. DPT service providers must therefore "*take all necessary steps to ensure that its customers do not confuse any PTD services associated with them*" as being regulated by MAS.

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Concluding Remarks

The Guidelines contain important guidance from MAS as to how DPT service providers may offer and advertise their DPT services, as well as further indication from MAS as to its regulatory approach on PTDs. Certain statements in the Guidelines however may need to be more closely examined in their proper context to understand the precise scope of MAS' expectations.

In the meantime, DPT service providers should align their conduct with MAS' stance on the unsuitability of DPT trading for the general public. In addition to the new requirements/expectations set out by MAS in the Guidelines summarised above, DPT service providers should also continue to adhere to the requisite disclosure requirements under the PS Act, including the requirement under PSN08 MAS Notice on Disclosures and Communications to provide a risk warning statement of the risks of trading in DPTs.

Following the issuance of the Guidelines, it has been reported that certain DPT service providers have removed their cryptocurrency ATMs. DPT service providers which have engaged in the prohibited advertising or promotion of DPT services to the public should take active steps to cease prohibited advertising activities and comply with the Guidelines.

If you have any queries on the above development, please feel free to contact our team members below who will be happy to assist.

Click on the following links for more information:

- [MAS Guidelines on Provision of Digital Payment Token Services to the Public](#)
- MAS media release titled "[MAS Issues Guidelines to Discourage Cryptocurrency Trading By General Public](#)"

Contacts



Regina Liew
Head, Financial Institutions
Group

T +65 6232 0456

regina.liew@rajahtann.com



Larry Lim
Deputy Head, Financial
Institutions Group

T +65 6232 0482

larry.lim@rajahtann.com



Benjamin Liew
Partner, Financial Institutions
Group

T +65 6232 0686

benjamin.liew@rajahtann.com

Please feel free to also contact Knowledge and Risk Management at eOASIS@rajahtann.com

Our Regional Contacts

RAJAH & TANN | *Singapore*

Rajah & Tann Singapore LLP
T +65 6535 3600
sg.rajahtannasia.com

R&T SOK & HENG | *Cambodia*

R&T Sok & Heng Law Office
T +855 23 963 112 / 113
F +855 23 963 116
kh.rajahtannasia.com

RAJAH & TANN 立杰上海

SHANGHAI REPRESENTATIVE OFFICE | *China*

**Rajah & Tann Singapore LLP
Shanghai Representative Office**
T +86 21 6120 8818
F +86 21 6120 8820
cn.rajahtannasia.com

ASSEGAF HAMZAH & PARTNERS | *Indonesia*

Assegaf Hamzah & Partners

Jakarta Office

T +62 21 2555 7800
F +62 21 2555 7899

Surabaya Office

T +62 31 5116 4550
F +62 31 5116 4560
www.ahp.co.id

RAJAH & TANN | *Lao PDR*

Rajah & Tann (Laos) Co., Ltd.
T +856 21 454 239
F +856 21 285 261
la.rajahtannasia.com

CHRISTOPHER & LEE ONG | *Malaysia*

Christopher & Lee Ong
T +60 3 2273 1919
F +60 3 2273 8310
www.christopherleeong.com

RAJAH & TANN | *Myanmar*

Rajah & Tann Myanmar Company Limited
T +95 1 9345 343 / +95 1 9345 346
F +95 1 9345 348
mm.rajahtannasia.com

GATMAYTAN YAP PATACSIL

GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*
Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)
T +632 8894 0377 to 79 / +632 8894 4931 to 32
F +632 8552 1977 to 78
www.cagatlaw.com

RAJAH & TANN | *Thailand*

R&T Asia (Thailand) Limited

T +66 2 656 1991
F +66 2 656 0833
th.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*

Rajah & Tann LCT Lawyers

Ho Chi Minh City Office

T +84 28 3821 2382 / +84 28 3821 2673
F +84 28 3520 8206

Hanoi Office

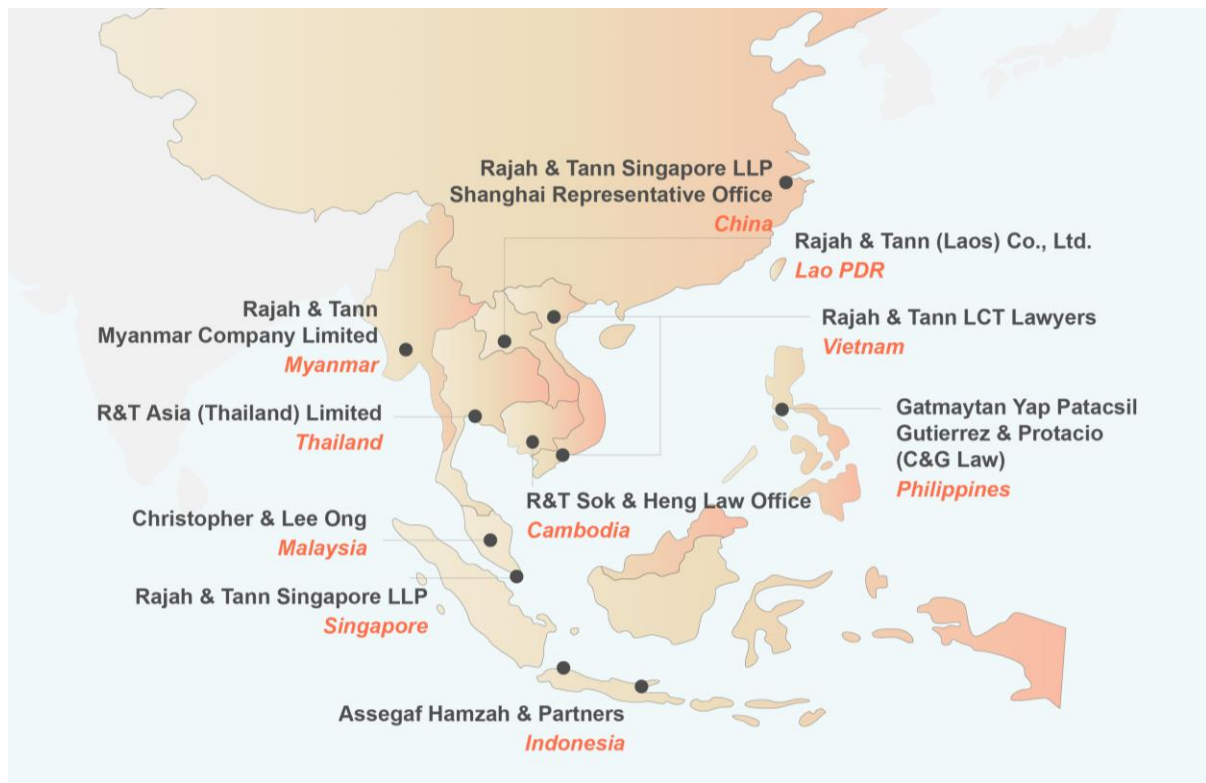
T +84 24 3267 6127
F +84 24 3267 6128
www.rajahtannlct.com

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