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MAS issues guide to Digital Token Offerings

On 14 November 2017, the Monetary Authority of Singapore (“MAS”) issued a guide to digital token offerings which provides general guidance on the application of securities laws in Singapore, in particular the Securities and Futures Act (“SFA”) and Financial Advisers Act (“FAA”), in relation to offers or issues of digital tokens in Singapore. Earlier in August 2017, the MAS clarified that the offer or issue of digital tokens in Singapore will be regulated if the digital tokens constitute products regulated under Singapore’s securities law. You may find further details on the global regulator’s perspectives on initial coin offerings in our publication [here](#).

Highlights from the Guide

Some highlights from the Guide are as follows:

a. Regulation of Digital tokens

Digital tokens that are capital market products (such as a share, debenture or a unit in a collective investment scheme) will be regulated by the MAS. The structure and characteristics of a digital token (including the rights attached to it), will determine whether the digital token is regulated by the MAS. An offer of digital tokens which constitute securities or units in a collective investment scheme under the SFA must be accompanied by a prospectus and registered with MAS, unless the relevant exemptions apply.

b. Regulation of Intermediaries

Depending on the business activity, intermediaries that facilitate offers or issues of digital tokens may be required to obtain the relevant approval or licence from the MAS. Such intermediaries include operators of a platform in Singapore on which offerors of digital tokens may make primary offers or issues of digital tokens which constitute securities.

c. Extra-territoriality

Under the extra-territoriality provisions in the SFA, the requirements of the SFA may still apply if a person operates a primary or trading platform of digital tokens, partly in or partly outside of Singapore, or outside of Singapore. Further, even though a person is based overseas (“Offshore Advisor”), the Offshore Advisor would be deemed to be acting as a financial adviser in Singapore under the FAA if it is engaged in any activity that is intended to or likely to induce the public in Singapore to use the financial advisory service it provides.

d. Money laundering and financing of terrorism concerns

The MAS emphasised in the Guide that the relevant MAS Notices on Prevention of Money Laundering and Countering the Financing of Terrorism may apply. Digital tokens that perform functions which may not be within the MAS’ regulatory purview may still be subject to other legislation for combating money laundering and terrorism financing. In addition, the MAS noted that it intends to establish a new payments services framework that will include rules to address money laundering and terrorism financing risks relating to the dealing or exchange of virtual currencies for fiat or other virtual currencies.



e. Regulatory Sandbox for digital tokens

MAS expects that firms interested in applying for the regulatory sandbox would have conducted their due diligence, such as testing the proposed financial service in a laboratory environment and knowing the legal and regulatory requirements for deploying the proposed financial service, prior to submitting an application. If an application is approved, the MAS will provide the appropriate regulatory support by relaxing specific legal and regulatory requirements prescribed by the MAS, which the applicant would otherwise be subject to, for the duration of the sandbox.

Please click [here](#) to view the Guide to Digital Token Offerings released by MAS.

If you have any questions or require any additional information, please contact [Yap Lian Seng](#), [Heng Jun Meng](#), [Lee Chongshen](#) or the ZICO Insights Law LLC partner you usually deal with.

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