



THE IMPACT OF FSMA'S NEW REGULATIONS ON DIGITAL TOKEN SERVICE PROVIDERS (DTSPs)

A webinar hosted by Global Fintech Institute (GFI).

8:00 PM to 10:00 PM
11 JUNE 2025


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Panel Overview



WEDNESDAY, 11 JUNE 2025
8:00 PM TO 10:00 PM

SPEAKERS

**THE IMPACT OF FSMA'S NEW REGULATIONS ON
DIGITAL TOKEN SERVICE PROVIDERS (DTSPs)**

<p>MODERATOR NIZAM ISMAIL FOUNDER & CEO ETHIKOM CONSULTANCY</p>	<p>SPEAKER ADELINE CHAN VICE-CHAIR BLOCKCHAIN SECURITY & COMPLIANCE COMMITTEE</p>	<p>SPEAKER DANIEL YANG HEAD OF COMPLIANCE QCP</p>	<p>SPEAKER CHUA TJU LIANG HEAD OF BLOCKCHAIN & DIGITAL ASSETS DREW & NAPIER</p>	<p>SPEAKER DANIEL LEE HEAD OF WEB3 BANKING CIRCLE</p>
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This panel, *The Impact of FSMA's New Regulations on Digital Token Service Providers (DTSPs)*, organized by the Global Fintech Institute (GFI), focused on the upcoming implementation of the Financial Services and Markets Act (FSMA) in Singapore, with particular attention to its effects on Digital Token Service Providers (DTSPs). The session began with an introduction to GFI's mission and certifications, followed by a detailed discussion of the FSMA's background, scope, and operational implications for industry participants. The event was attended by over 220 live participants and included a significant interactive Q&A segment.

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Key Questions and Challenges Addressed

1. What is the FSMA and why was it introduced?
2. How does the FSMA relate to existing laws such as the Payment Services Act (PSA) and Securities and Futures Act (SFA)?
3. Which entities and activities are covered or excluded by the FSMA?
4. What are the requirements and expectations for licensing and compliance?
5. What are the operational and transitional issues for businesses?
6. How does Singapore's approach compare to other jurisdictions?
7. What are the practical implications for different business models, including exchanges, custodians, and technical service providers?
8. How should businesses approach the transition and compliance process?

Key Themes and Ideas

Background and Rationale

The FSMA was discussed as a response to the Financial Action Task Force (FATF) recommendations from 2019, which called for regulation of Virtual Asset Service Providers (VASPs) in member jurisdictions. Singapore's adoption of these standards was described as part of its ongoing efforts to address anti-money laundering and counter-terrorism financing risks. The panel noted that Singapore is often an early adopter of such standards and that the FSMA is intended to close regulatory gaps, especially for Singapore-based entities serving non-resident clients.

Relationship with Existing Laws

The panel explained how the FSMA operates alongside the Payment Services Act (PSA) and Securities and Futures Act (SFA). The PSA regulates payment services, including crypto-related activities, for both Singapore-based and non-resident clients. The SFA covers capital markets products and services. The FSMA specifically targets Singapore-based entities (including individuals, partnerships, and companies incorporated in Singapore) that provide digital token services to clients outside Singapore. The intent is to prevent regulatory arbitrage and ensure that Singapore-based entities cannot avoid regulation by serving only foreign clients.

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Definitions and Scope

The FSMA's definition of "digital tokens" was discussed, with emphasis on its coverage of digital payment tokens (as defined in the PSA) and digital representations of capital markets products (as defined in the SFA). The panel noted that utility and governance tokens are not included unless they meet these definitions. The FSMA lists specific regulated activities, including dealing, exchange, transfer, custody, and advisory services related to digital tokens. The panel also discussed the technical services exemption, which excludes certain technical service providers from licensing requirements.

Licensing and Compliance

The panel described the licensing requirements for entities providing digital token services from Singapore to non-residents. It was noted that the Monetary Authority of Singapore (MAS) has stated that the licensing bar will be high and that there will be no transitional exemption; businesses must cease operations and apply for a license by the effective date. Entities already licensed under the PSA or SFA for the same activities do not need a separate FSMA license for those activities. The panel also discussed the MAS's approach to licensing, which is described as prudent and cautious, with approvals expected to be rare.

Operational and Risk Management

The discussion included details on MAS's expectations for governance, technology risk management, incident response, data protection, and third-party risk management. The MAS's technology risk management guidelines were referenced as a benchmark for compliance. Key areas of focus include board oversight, identification and management of critical systems, incident notification and response, data protection, regular vulnerability assessments, and management of outsourcing risks. The panel highlighted that MAS's guidelines are not legally binding but are used as best practices and benchmarks for assessing license applications and ongoing compliance.

Industry Comparisons

The panel compared Singapore's approach to those of other jurisdictions, such as the EU, UAE, and Hong Kong, and discussed the global trend toward stringent regulation of digital asset businesses. It was noted that all major jurisdictions aligned with FATF have similarly strict requirements, and that Singapore's framework provides clarity on what is and is not in scope. The panel also discussed the perception that Singapore's requirements are uniquely onerous and contrasted this with the reality of global regulatory trends.

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Granularity and Case-by-Case Considerations

The need for detailed, case-specific analysis was highlighted, with examples given for holding companies, technical service providers, and employees of foreign entities. The panel discussed how the FSMA is designed to regulate specific entities and activities, not entire projects or business models. The importance of understanding the specific requirements and definitions in the FSMA and related laws was emphasized.

Notable Quotes

“The FSMA is really to harmonize Singapore law with the FATF recommendations in 2019, that VASPs have to be licensed in the jurisdiction where they are created.”

“MAS has made it clear that the bar for licensing under the FSMA will be set very high, and approvals will be granted only in extremely limited circumstances.”

“The grass is not exactly greener on the other side; all major jurisdictions are aligned with FATF and have stringent requirements.”

“If you are serving Singapore resident clients, you are already caught under the Payment Services Act, but here we are talking about serving offshore clients.”

“Technology risk management, incident notification, and data protection are key focus areas for license applicants.”

Insights and Takeaways

- The FSMA was described as a measure to address regulatory gaps for Singapore-based entities serving non-residents in the digital asset sector.
- The Act's scope was discussed as being limited to certain types of digital tokens and specific regulated activities.
- The panel noted that there is no transitional exemption for existing businesses, and that licensing requirements are strict.
- MAS's expectations for risk management, governance, and operational resilience were outlined, with reference to technology risk management guidelines.
- The discussion included comparisons with other jurisdictions and noted that regulatory requirements are stringent globally.

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- The panel emphasized the importance of understanding the specific requirements and definitions in the FSMA and related laws.
- The panel highlighted that regulatory clarity and a strong compliance posture can serve as a competitive advantage for businesses operating in the digital asset space.
- The regulatory environment in Singapore is comparable to, and in some respects more prescriptive than, other leading jurisdictions, but offers clarity on what is and is not in scope.
- The panel discussed the importance of ongoing engagement with MAS and careful review of the Act's definitions and requirements.

Challenges and Debates

- The lack of a transitional exemption was identified as a challenge for existing businesses, requiring them to cease activities and apply for a license by the effective date.
- The panel discussed questions about the scope of the FSMA, including the treatment of holding companies, technical service providers, and employees of foreign entities.
- There was discussion about the risk of regulatory arbitrage and the potential impact on Singapore's competitiveness.
- The panel addressed practical questions about the application of the FSMA to various business models and activities, including exchanges, custody, and tokenized commodities.
- The need for ongoing engagement with MAS and careful review of the Act's definitions and requirements was highlighted.
- The panel discussed the perception that Singapore's requirements are uniquely onerous and contrasted this with the reality of global regulatory trends.
- The panel also discussed the importance of granular, case-by-case analysis of whether specific entities or activities fall within the scope of the FSMA.

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Q&A Session Highlights

Scope and Overlap with Other Laws

Participants asked about the overlap between the FSMA and the PSA, and whether entities licensed under the PSA or SFA would need to apply for an FSMA license. The panel clarified that if an entity is already licensed under the PSA or SFA for the same activities, a separate FSMA license is not required. The panel also discussed the relationship between the FSMA and other laws, such as the Financial Advisers Act, and how the FSMA is intended to harmonize Singapore law with FATF recommendations.

Applicability to Different Business Models

Questions were raised about the FSMA's applicability to centralized and decentralized exchanges, staking and lending platforms, and layer one blockchains. The panel explained that the FSMA's scope is determined by the specific activities conducted and the definitions in the Act, rather than by business model labels. The panel also discussed the treatment of holding companies and employees of foreign entities, noting that holding companies not providing regulated services are not in scope, and that employees of foreign companies are not required to be licensed under the FSMA if they are not the service provider.

Technical Service Providers

There were questions about whether technical service providers, such as those providing IT security or multisig wallet services, would be regulated. The panel noted that technical service providers are generally excluded if they do not control digital tokens or provide regulated services. The panel also discussed the technical services exemption in the FSMA and how it applies to different types of service providers.

Transitional Arrangements and Ceasing Operations

Participants asked what steps businesses should take after the FSMA's effective date if they are in the process of applying for a license. The panel explained that, unlike previous regulatory changes, there is no transitional exemption under the FSMA, and affected businesses must cease regulated activities until licensed. The panel also discussed the MAS's approach to licensing and the importance of engaging with MAS case officers for guidance.

Classification of Tokens

Questions were raised about the treatment of utility, governance, and GameFi tokens. The panel responded that only tokens meeting the FSMA's definitions (digital payment tokens or

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digital representations of capital markets products) are in scope. The panel also discussed the importance of granular analysis in determining whether a particular token is covered by the FSMA.

Market Making and Derivatives

Attendees asked whether market making and crypto derivatives activities are covered. The panel indicated that the FSMA does not change the MAS's existing stance on crypto derivatives, and that market making may require granular analysis depending on the specific activities. The panel also discussed the treatment of tokenized commodities and the importance of understanding the structure of the token in determining whether it is covered by the FSMA.

Operational Steps and Compliance

Questions were asked about operational steps for compliance, such as risk management, outsourcing, and technology controls. The panel referenced MAS's technology risk management guidelines and outlined expectations for governance, incident response, and data protection. The panel also discussed the importance of regular vulnerability assessments and the management of third-party and outsourcing risks.

Comparisons with Other Jurisdictions

There were questions about whether Singapore's requirements are more stringent than those in other jurisdictions. The panel noted that all major jurisdictions aligned with FATF have similarly strict requirements, and that Singapore's framework provides clarity on what is and is not in scope. The panel also discussed the perception that Singapore's requirements are uniquely onerous and contrasted this with the reality of global regulatory trends.

Practical Scenarios and Edge Cases

The Q&A included questions about specific scenarios, such as the treatment of multisig wallets, sharding of keys, intra-group servicing arrangements, and the impact of the FSMA on private banks and tokenized gold repayments. The panel provided factual responses based on the definitions and requirements in the FSMA, emphasizing the importance of granular, case-by-case analysis.

Industry Feedback and Consultation

The panel addressed comments about the consultation process for the FSMA, noting that there had been multiple rounds of industry consultation and that the MAS had engaged with stakeholders to address concerns and clarify the scope and intent of the Act. The panel also

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discussed the importance of ongoing engagement with MAS and legal advisors for businesses navigating the evolving regulatory landscape.

Conclusion

The panel provided a detailed discussion of the FSMA's new regulatory framework for Digital Token Service Providers in Singapore. The session covered the Act's background, scope, licensing requirements, operational expectations, and comparisons with other jurisdictions. The discussion emphasized the importance of understanding the FSMA's definitions and requirements, and the need for businesses to review their activities in light of the new rules. The panel also noted that the views expressed were personal and not those of their organizations or GFI. The panel encouraged anyone that has concerns on the FSMA to seek their own legal opinions and not to rely solely on the opinion of the panelists. The event concluded with a reminder that the summary and discussion do not constitute legal advice or represent the opinion of GFI.

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