

WHAT ARE DIGITAL PAYMENT TOKENS

How digital payment tokens are used, and what you should take note of



Digital payment tokens are digital representations of value that do not have a physical form, and are typically maintained using blockchain technology.

While they are not legal tender issued by governments, they can be transferred to another person in exchange for goods and services.



In recent years, many companies and even governments are exploring the applications of blockchain technology in payments.

Digital payment tokens or more commonly known as cryptocurrencies such as Bitcoin can be used for payments, among other purposes.



Digital payment tokens can be highly volatile, as their value is typically not related to any economic fundamentals. They are often highly risky as investment products, and not suitable for retail investors. MAS has issued numerous consumer advisories to warn the public of the risks of trading these products.

WHY ARE DIGITAL PAYMENT TOKENS RELEVANT TO OUR FUTURE ECONOMY

Why MAS has an interest in the development of digital payment tokens



MAS is closely monitoring developments in digital payment tokens and will continue to adapt its rules as needed to ensure that regulation remains effective and commensurate with the risks posed.

At the same time, MAS recognises that there are significant economic possibilities offered by the tokenisation of assets. Tokenisation allows users to hold and possibly trade a unit or a fraction of assets. MAS' regulatory frameworks are designed to encourage growth of a tokenised economy and experimentation in this space.

HOW ARE DIGITAL PAYMENT TOKEN SERVICES REGULATED IN SINGAPORE

How MAS mitigates the risks arising from digital payment token services



Exchanges offering the trading of digital payment token services are regulated under the Payment Services Act. Given their limited scale, these entities are regulated primarily for money laundering and terrorism financing ("ML/TF") risks. However, the Act provides MAS the powers to impose additional measures on digital payment token service providers as needed.



To address the ML/TF risks associated with digital payment tokens, MAS has taken steps on three fronts.

- First, digital payment token service providers need to be licensed by MAS. They must comply with anti-money laundering and countering the financing of terrorism requirements, such as obligations to perform customer due diligence and transaction monitoring. They are also required to file suspicious transactions reports with the Commercial Affairs Department ("CAD").
- Second, MAS has stepped up surveillance of the digital payment token sector, to identify suspicious networks and higher risk activities for further supervisory scrutiny.
- Third, MAS and the CAD will continue to raise public awareness on the risks of investing in digital payment tokens, through our advisories and public education efforts. These advisories provide consumers with information on how to avoid being cheated or inadvertently used as mules to carry out ML activities.