



**COUNTRY
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Singapore FINTECH

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This country-specific Q&A provides an overview of fintech laws and regulations applicable in Singapore.

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SINGAPORE FINTECH



1. What are the sources of payments law in your jurisdiction?

The Payment Services Act 2019 ('PSA') regulates specific payment services in Singapore. The regulated activities, in each case taking on their definitions set out under the PSA, are: (i) an account issuance service; (ii) a domestic money transfer service; (iii) a cross-border money transfer service; (iv) a merchant acquisition service; (v) a digital payment token service; (vi) an e-money issuance service; and (vii) a money-changing service (collectively, 'Payment Services')

The PSA legislates a licensing regime for business which conduct activities which are: (i) Payment Services; and (ii) do not fall within an exemption under the PSA. The Monetary Authority of Singapore ('MAS') is the authority charged with the administration of the PSA.

The MAS is both the central bank of Singapore and is also an integrated regulator that is empowered to: (i) issue subsidiary legislation concerning the PSA which possess the force of law; (ii) issue directives and notices detailing instructions to regulated persons to ensure compliance; (iii) issue guidelines that set out principles or best practices that should guide the conduct of specified institutions or persons; and (iv) to issue codes, being non-statutory instruments, for which breaches thereof may, despite not having the force of law, attract non-statutory sanctions like private reprimand or public censure.

The PSA together with subsidiary legislation, as administered by MAS, comprise the sources of payments law in Singapore.

2. Can payment services be provided by non-banks, and if so, on what conditions?

Regulated payment services can be provided by non-banks who have a payment services license ('PSL') granted by MAS under the PSA.

A PSL could take the form of: (i) a Standard Payment

Institution ('SPI') License; (ii) a Major Payment Institution ('MPI') License; or (iii) a Money-Changing License, and each comprise of different regulatory conditions.

Generally, a person conducting regulated activity (or activities) under the PSA requires an SPI unless the total value of all payment transactions that are accepted, processed or executed by the licensee in one month exceeds: (a) \$3 million (or its equivalent in a foreign currency) for the following Payment Services: (i) an account issuance service; (ii) a domestic money transfer service; (iii) a cross-border money transfer service; (iv) a merchant acquisition service; and (v) a digital payment token service; or (b) \$6 million (or its equivalent in a foreign currency), for 2 or more of the aforementioned Payment Services, in which case they would require an MPI.

In the case of an e-money issuance service, an MPI is required where the average, over a calendar year, of the total value in one day of all e-money that is stored in any payment account issued by the licensee exceeds \$5 million.

The PSA prescribes certain regulatory conditions that licensees are required to comply with such as, but not limited to:

(a) Conditions on the conduct of the business, such as reporting requirements; (b) Placement of security with MAS; (c) Safeguarding of money received from customers through means that include custodial service providers; (d) Controls on shareholding and officers of licensees; (e) Audit requirements on licensees.

3. What are the most popular payment methods and payment instruments in your jurisdiction?

In the *Global Payments Report 2023*, published by Worldpay, Inc, the most popular payment methods and payment instruments in Singapore, as a percentage of the transaction value they account for, were:

- Credit cards (42%)
- Digital wallet (32%)
- Debit card (11%)

4. What is the status of open banking in your jurisdiction (i.e. access to banks' transaction data and push-payment functionality by third party service providers)? Is it mandated by law, if so, to which entities, and what is state of implementation in practice?

Open-banking is not mandated by law in Singapore. In practice, open banking in Singapore is characterised by infrastructure building and facilitative collaboration instead of active legislation.

An example of an open banking initiative in Singapore is the Singapore Financial Data Exchange ('SGFinDex'), provided by the Government Technology Agency on behalf of the Government of Singapore, which enables individuals to access their financial information held across different participating government agencies and financial institutions such as banks, insurers and the Singapore Exchange on one platform. Users agree to the terms of use and privacy statement of SGFinDex and agree to the collection, processing and disclosure of their personal data in accordance with the standards comprised under data protection laws in Singapore.

5. How does the regulation of data in your jurisdiction impact on the provision of financial services to consumers and businesses?

Data governance impacts the provision of financial services to consumers and business in Singapore in the following ways.

(a) Regulatory regimes designed to govern the production, collection, use and disclosure of financial data apply to financial service providers. For example, regulation of data relevant to the provision of financial services in Singapore covers the areas of personal data, cybersecurity, technology risk management and includes, without limitation: -

(i) The Personal Data Protection Act 2012 ('PDPA'); (ii) The Computer Misuse Act 1993; (iii) The Cybersecurity Act 2018; and (iv) The Technology Risk Management Guidelines issued by MAS.

(b) Autonomous, or privately developed, sets of rules and principles which financial service providers

independently undertake to abide by. For example, the Association for Banks in Singapore, established the Standing Committee on Data Management in November 2019 and has published the *Data Sharing Handbook for Banks and Non-Bank Data Ecosystem Partners* designed to ensure that data sharing in the financial services industry is underpinned by trust and security, and in line with existing regulations.

6. What are regulators in your jurisdiction doing to encourage innovation in the financial sector? Are there any initiatives such as sandboxes, or special regulatory conditions for fintechs?

Yes, there are such initiatives, instead of regulatory conditions, applicable only to fintechs.

The MAS FinTech Regulatory Sandbox ('Sandbox') was set up to permit innovations to be experimented in the production environment but within a well-defined space and duration. Non-exhaustive examples of legal and regulatory requirements that MAS is prepared to consider relaxing for the duration of the sandbox are asset maintenance requirements, fund solvency and capital adequacy requirements.

MAS actively encourages innovation in the financial sector through grants and support schemes. For example, the MAS Financial Sector Technology and Innovation Scheme provides grants for projects in various tracks, including the following, subject to the fulfilment of grant conditions: -

(a) setting up centres of excellence; (b) Industry - wide Technological Infrastructure or Utility; (c) Innovation Acceleration; (d) Artificial Intelligence and Data Analytics; (e) Environmental, Social, and Governance (ESG) FinTech; and (f) Regulatory Technology.

7. Do you foresee any imminent risks to the growth of the fintech market in your jurisdiction?

A significant risk posed to the growth of the fintech market in Singapore is fraud, financial crime and money - laundering / terrorism financing ('ML/TF'). These risks manifest in penalties, fines and/or actions against participants in the FinTech market and result in costs directed towards regulatory compliance and governance reviews instead of being directed towards innovation and creation in the fintech industry.

For example, pursuant to a Enforcement Action Media

Release by MAS dated 21 June 2023, MAS imposed composition penalties amounting to S\$3.8 million in total on certain incumbent financial institutions for breaches of MAS' anti-money laundering and counter terrorism financing ('AML/CFT') requirements following MAS' examinations of the FIs following news of irregularities relating to Wirecard AG's financial statements and the alleged involvement of Singapore-based individuals and entities in the matter.

8. What tax incentives exist in your jurisdiction to encourage fintech investment?

There are tax exemptions in Singapore which may indirectly encourage fintech investments but are not intended to specifically apply only to fintech investments.

Generally, new start-up companies in Singapore, excluding investment holding companies and property development companies, would, in their first three consecutive years of assessment, qualify for a 75% exemption on the first \$100,000 of their taxable income, and a further 50% exemption on the next \$100,000 of their taxable income.

Additionally, under Section 130 and Section 13U of the Income Tax Act 1947, income arising from eligible funds managed in Singapore by family offices may enjoy significant tax exemptions, depending on the amount of capital deployed into certain identified areas, which include investments in financial institutions in Singapore, non-listed Singapore operating companies and non-listed funds distributed by licensed financial institutions in Singapore, which could indirectly include fintech investment.

9. Which areas of fintech are attracting investment in your jurisdiction, and at what level (Series A, Series B etc)?

According to the *KPMG Pulse of Fintech H1'2023* report by KPMG Services Pte. Ltd., the areas of fintech that have demonstrated resilience in funding are: (i) payments; (ii) crypto; (iii) artificial intelligence; and (iv) green fintech.

In the latest *Singapore Venture Funding Landscape 2022 Full Year Study* released in 2023 by Deal Street Asia in partnership with Enterprise Singapore, venture capital markets activity rose in Seed and Series A deals, which saw their median value rise across the ASEAN 6 region.

10. If a fintech entrepreneur was looking for a jurisdiction in which to begin operations, why would it choose yours?

Singapore's fintech ecosystem is a vibrant ecosystem comprising of favourable conditions for fintech operations, such as, but not limited to, access and movement of talent, forward looking regulation, financial grants and innovation test beds.

Fintechs can also scale from Singapore to the world through the Global Financial Innovation Network which was created to provide a more efficient way for innovative firms to interact with regulators and to explore the concept of cross-border testing.

11. Access to talent is often cited as a key issue for fintechs - are there any immigration rules in your jurisdiction which would help or hinder that access, whether in force now or imminently? For instance, are quotas systems/immigration caps in place in your jurisdiction and how are they determined?

Access to talent in Singapore may be assisted by the new Complementarity Assessment Framework ('COMPASS') regime, a points-based system that is effective from 1 September 2023.

COMPASS applies to the Employment Pass regime, which is a type of work visa for individuals with a minimum monthly gross pay of SGD5,000 or SGD5,500 if employed in the financial services sector. The qualifying salary increases with age. Upon achieving the qualifying salary for an EP, an individual needs to pass a matrix of individual and firm related attributes, such as: qualifications, diversity, support for local employment, skills in demand and government partnerships. A point system is applied and individuals who pass COMPASS would qualify for an EP. There are no quotas in place for EP applications.

The COMPASS regime may assist to drive talent inflow into Singapore as: (i) eligibility is increased if you have a skill that is in demand; and (ii) the transparency in the EP process may assist to encourage talent inflow to fintechs.

12. If there are gaps in access to talent, are regulators looking to fill these and, if so, how? How much impact does the

fintech industry have on influencing immigration policy in your jurisdiction?

Regulators are looking to grow local tech talent through a myriad of schemes run by regulators. For example, the Technology in Finance Immersion Programme, managed by the Institute of Banking and Finance, equips mid-career workers to take on technology related roles within the financial services sector through trainings and attachments.

According to a report by PricewaterhouseCoopers Singapore Pte. Ltd ('PWC') titled *Fintech Innovation in Singapore*, technology talent is in demand in Singapore and is central to the growth of the sector. It is a pillar of immigration policy in Singapore to build a strong local core at the same time. The immigration policy would likely draw a balance between attracting talent and local hiring.

13. What protections can a fintech use in your jurisdiction to protect its intellectual property?

Intellectual property protection in Singapore is available under the general intellectual property law in Singapore, and exists in respect of copyrights, trademarks, patents and industrial designs.

Under the Copyright Act 2021 ('CA'), works are protected under the provisions of the CA, and include, amongst others, literary, dramatic, musical or artistic works ('Authorial Works') and published editions of Authorial Works;

Literary works include computer programs, defined under the CA as an expression (in any language, code or notation) of a set of instructions (whether with or without related information) intended to: (a) directly cause a device with information processing capabilities to perform a particular function; or (b) cause a device with information processing capabilities to perform a particular function after converting the instructions into another language, code or notation; copying the instructions in a different material form; or both of the foregoing.

Generally, under the CA, content creators are the default copyright owners, including for all types of commissioned content, but this is subject to contract.

Copyright in a literary work is the exclusive right, in relation to an original or an adaptation of such work, to copy, publish, perform, communicate, adapt the work and in the case of a computer program, to enter into a

commercial rental arrangement the essential object of which is the rental of the program. Copyright infringement occurs when an act comprised of in copyright is done without a license.

Under the Trade Marks Act 1998 (the 'TA'), a 'trade mark' means any visually perceptible sign capable of being represented graphically and which is capable of distinguishing goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person.

Where a trade mark is registered with the Intellectual Property Office of Singapore ('IPOS'), the registrant is legally regarded as the proprietor of a registered trade mark and has the exclusive rights to use the trade mark; and to authorise other persons to use the trade mark in relation to the goods or services for which the trade mark is registered. Additionally, the proprietor has the right to obtain relief under the TA for infringement of their trade mark.

Under the Patents Act 1994 ('PA'), if a fintech has a patentable invention if: (i) the invention is new; (ii) it involves an inventive step; and (iii) it is capable of industrial application. Patents are registrable with IPOS and a patent granted or an application for a patent is regarded as property. Subject to uses which are permitted under the PA, a person infringes a patent if such person without the consent of the proprietor of the patent does acts that include using a patented process or offers it for use in Singapore when the person knows or would reasonably know that its use would be an infringement of the patent. IPOS additionally provides a Fintech Fast Track program which could allow eligible patents to be granted as fast as within 6 months.

Under the Registered Designs Act 2000, industrial designs may be registered with IPOS. Generally, design refers to the features of a shape, configuration, colours, pattern, or ornament applied to any article or non-physical product that give that article or non-physical product its appearance. It is possible that fintechs have registrable designs such as, but not limited to, electronic cards and point-of-sale machine designs. Registration confers the registered owner the exclusive right to make in Singapore, or import into Singapore, for sale or hire, or for use for the purpose of trade or business articles which adopt these designs or designs which are not substantially different from the registered design.

14. How are cryptocurrencies treated under the regulatory framework in your jurisdiction?

Cryptocurrencies are not specifically regulated but some legislation may apply to certain cryptocurrencies depending on their characteristics, in particular:

- PSA;
- Securities and Futures Act 2001 ('SFA');
- Commodities Trading Act 1992 ('CTA'); and
- Financial Services and Markets Act 2022 ('FSMA').

Additionally, regardless of whether the cryptocurrency is regulated or not, persons carrying on cryptocurrency businesses need to comply with general laws of Singapore such as the Companies Act 1967. We elaborate further below.

Under the PSA

A cryptocurrency may be defined as 'e-money' or a 'digital payment token' and as such a person who carries on the business of providing a payment service in relation to such a cryptocurrency would need to obtain a license under the PSA.

'E-money' is defined as 'any electronically stored monetary value that is denominated in any currency, or pegged by its issuer to any currency, has been paid for in advance to enable the making of payment transactions through the use of a payment account, is accepted by a person other than its issuer and represents a claim on its issuer, but does not include any deposit accepted in Singapore, from any person in Singapore'.

Subject to exceptions under the PSA, if a person issues e-money for the purpose of allowing another person to make payment transactions, the former would be carrying on an e-money issuance service.

Generally, the activity of a service of dealing in digital payment tokens ('DPTs') and the service of facilitating the exchange of DPTs are regulated under the PSA.

A 'digital payment token' is defined as 'any digital representation of value (other than an excluded digital representation of value) that is expressed as a unit, is not denominated in any currency, and is not pegged by its issuer to any currency, is, or is intended to be, a medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt, can be transferred, stored or traded electronically, and satisfies such other characteristics as MAS may prescribe'.

'Dealing in digital payment tokens' refers to the buying or selling of that DPT in exchange for any money or any other DPT other than facilitating the exchange of DPTs

and accepting or using any DPT as a means of payment for the provision of goods or services, while 'facilitating the exchange of digital payment tokens' means 'establishing or operating a digital payment token exchange, in a case where the person that establishes or operates that digital payment token exchange, for the purposes of an offer or invitation to buy or sell any digital payment token in exchange for any money or any digital payment token, comes into possession of any money or any digital payment token, whether at the time that offer or invitation is made or otherwise'.

Under the SFA

Under the SFA, certain cryptocurrencies may, depending on their features, potentially be classified as capital markets products, such as securities, units in collective investment schemes, derivatives contracts, and spot foreign exchange contracts for the purposes of leveraged foreign exchange trading.

Requirements that are applicable to capital markets products may therefore apply to cryptocurrencies if they are capital markets products. For example, for cryptocurrencies that constitute capital markets products, a person who, offers such cryptocurrencies for sale would need to hold a capital markets services licence for dealing in capital markets products.

Under the CTA

For cryptocurrencies that are asset backed in nature, the trading of such cryptocurrencies could constitute spot commodity trading under the CTA, and a license would be required for such activities.

Under the FSMA

The FSMA was intended to align Singapore's laws with the Financial Action Task Force (FATF) standards on virtual asset service providers ('VASPs') and to regulate ML/TF risks from VASPs.

Under the FSMA, an individual or a partnership must not from a place of business in Singapore carry on a business of providing any type of digital token service listed under Schedule 1 of the FSMA outside Singapore unless the individual or the partnership has in force a licence under the FSMA.

A 'digital token' is defined as: (i) a digital payment token under the PSA; or (ii) a digital representation of a capital markets product which can be transferred, stored or traded electronically and satisfies such other characteristics as the Authority may prescribe.

This licensing regime is expected to commence in 2024.

15. How are initial coin offerings treated in your jurisdiction? Do you foresee any change in this over the next 12-24 months?

The sale of cryptocurrencies may be regulated, depending first on whether the cryptocurrencies constitute products regulated under the PSA or SFA. As described in the preceding question, the launch of an initial coin offering is preliminarily contingent on an assessment of whether any licenses or regulatory approvals are required before such cryptocurrency can be offered to the public in an initial coin offering ('ICO').

ICOs are also expected to be accompanied by relevant legal documentation including Token Sale Terms and Conditions, a privacy policy, an AML/CFT Compliance Manual, a Simple Agreement for Future Tokens and if relevant, a Private Placement Memorandum or a Prospectus.

Presently, the taxability of proceeds from ICOs depend on whether the coin is a payment token, utility token or a security token, and guidance may be obtained from the Inland Revenue Authority of Singapore ('IRAS') *e-Tax Guide on Income Tax Treatment of Digital Tokens*.

There may be upcoming changes to the treatment of ICOs in Singapore as IRAS has recently, on 10 November 2023, announced that it is working towards transposing the Crypto-Asset Reporting Framework into domestic law to further regulate intermediaries and service providers facilitating exchanges in crypto assets that are used for payment or investment purposes (save for certain excluded coins such as Central Bank Digital Currencies ('CBDCs')).

16. Are you aware of any live blockchain projects (beyond proof of concept) in your jurisdiction and if so in what areas?

Yes. There are many fintech companies involved in the rollout of blockchain projects, and the regulators are also active in the adoption of blockchain technology. The types and applications of blockchain projects in Singapore are diverse.

Some live blockchain projects are:

(a) A significant project that MAS is participating in which is in beta testing phase is the SWIFT CBDC Sandbox, where MAS collaborated with more than 18 central banks and global commercial banks to explore cross-border interoperability across digital currencies based on Distributed Ledger Technology ('DLT') and Non DLT Payment Systems.

On 13 September 2023, it was announced by SWIFT that three central banks had begun beta testing the CBDC connector solution developed by SWIFT.

(b) At the same time, the Singapore Blockchain Innovation Programme ('SBIP') is involved in encouraging private companies to leverage on blockchain technology through the fostering of a private – institutional collaboration ecosystem accessible by SBIP members. A project that has been successfully incubated by the SBIP is 'IP8Value', an intellectual property commercialization platform that enables online licensing, sales, patent pools and other tools to generate revenue from IP assets which is currently available for demo requests.

(c) Other commercial blockchain products include We Chain, which connects partners, insurers and insured to automate claims management via a blockchain enabled ecosystem.

17. To what extent are you aware of artificial intelligence already being used in the financial sector in your jurisdiction, and do you think regulation will impede or encourage its further use?

Regulators have shown an open attitude to the adoption of AI in the financial sector in Singapore, and adoption of AI in the financial sector would likely be led by regulator initiatives and/or guidelines.

Regulator initiatives include:

(a) AI Verify, launched by the Infocomm Media Development Authority ('IMDA') and the Personal Data Protection Commission ('PDPC'), is an AI governance testing framework and software toolkit that validates the performance of AI systems against a set of internationally recognised principles through standardised tests.

As of 7 June 2023, the AI international pilot of the minimum viable product has been tested by various companies including DBS Bank Limited in the financial sector.

(b) On 15 November 2023, MAS also announced the successful conclusion of phase one of Project MindForge, which seeks to develop a risk framework for the use of generative artificial intelligence ('GenAI') for the financial sector and to publish a whitepaper on the same.

18. Insurtech is generally thought to be

developing but some way behind other areas of fintech such as payments. Is there much insurtech business in your jurisdiction and if so what form does it generally take?

Yes, there is insurtech business in Singapore and from a report released by Fintech SG titled 'Singapore Fintech Report 2023' ('2023 FinTech Report'), an aggregator of fintech news in Singapore, Insurtech business presently comprises 6% of fintech businesses in Singapore.

In another study produced by The Digital Insurer in collaboration with the Singapore FinTech Association ('SFA') InsurTech Sub-Committee, forms of Insurtech business in Singapore are diverse and include companies that are in the business of driving value chain innovations in the insurance industry and companies who provide, broker, or advise on insurance (or reinsurance) via new digital business models.

19. Are there any areas of fintech that are particularly strong in your jurisdiction?

Based on the 2023 FinTech Report, based on a surveyed size of 700 fintech companies, the top 3 areas of fintech that have the greatest presence in Singapore are:

- Payments (19%);
- Blockchain/Web 3 (18%);
- Regulatory technology (16%)

20. What is the status of collaboration vs disruption in your jurisdiction as between fintechs and incumbent financial institutions?

The prevalent modality of interaction between fintechs and incumbent financial institutions in Singapore is that of collaboration, with incumbent financial institutions

leveraging on the innovative ideas by fintechs and fintechs leveraging on the resources that are made available by the incumbents to accelerate the growth of their technology companies. This is evidenced by a vibrant ecosystem of industry partnerships to be elaborated further in the subsequent questions.

21. To what extent are the banks and other incumbent financial institutions in your jurisdiction carrying out their own fintech development / innovation programmes?

MAS encourages incumbent financial institutions to carry out their own fintech development and/or innovation programmes and there are live examples in play.

As of date, as many as 36 innovation labs set up by various financial institutions are listed on the MAS website, including for example, DBS Asia X ('DAX'), where DBS collaborates with start-ups and the broader fintech community to reimagine, inspire and create the future of innovation.

22. Are there any strong examples of disruption through fintech in your jurisdiction?

Disruption between fintechs and incumbent financial institutions is most visible in the area of neobanking.

Neobanks have presented disruption to the traditional banking scene in Singapore. For example, YouTrip, an MPI operating a mobile financial platform which offers a multi-currency mobile wallet and a contactless payment card to make payments in over 150 currencies represents an example of a disruptive innovation in the fintech sector in Singapore due to its ability to offer exchange rates that are Mastercard wholesale rates which are reportedly better over-the-counter exchange rates offered by Singapore banks.

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