

REDEFINING FINANCE: SINGAPORE'S LEGAL FRAMEWORK FOR CRYPTOCURRENCIES AND BANKING



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Singapore has become a global leader in financial technology (“Fintech”) innovation, particularly in the area of cryptocurrencies.

This article explores how Singapore’s legal and banking landscape is evolving in response to the rise of cryptocurrencies, with an emphasis on recent legal cases, regulatory developments, and the implications for banks and financial institutions.

1. The Rise of Cryptocurrency in Singapore

Cryptocurrencies, which are digital currencies that utilise blockchain technology, have gained significant traction worldwide. They offer advantages such as decentralization and lower transaction costs but also pose risks like fraud and market volatility.

To accommodate this, Singapore has created a regulatory framework that supports their growth while managing associated risks. This strategy has positioned the country as a global hub for cryptocurrency innovation. To elaborate, the Monetary Authority of Singapore (“MAS”) is promoting Singapore as a Fintech centre, intending to attract cryptocurrency companies to Singapore while balancing its risk with a strict licensing process^[1].

2. Regulatory Framework: The Payment Services Act 2019

The Payment Services Act 2019 (“PSA”) serves as Singapore’s cornerstone legislation for regulating cryptocurrencies and other payment services. The PSA provides rules for companies involved in cryptocurrency-related activities and ensures that these activities comply with international standards.

Licensing Requirements

Companies dealing in digital payment tokens must obtain licenses to operate in Singapore.

There are currently three kinds of licenses: (i) money-changing license, (ii) standard payment institution licenses and major payment institution licenses^[2]. To elaborate, money changing licensees can only provide money-changing services. Meanwhile, standard payment institution services can offer a combination of seven defined payment services, including account issuance services, merchant acquisition services and digital payment token services, but below specified thresholds^[3]. Lastly, major payment institutions can exceed the thresholds.

Since the introduction of the PSA, MAS has received more than 580 applications^[4]. More than 85 applications, including five for digital payment token licenses, have been offered in-principle approval.



Technology Risk Management

Firms operating in the cryptocurrency space are required to adopt robust cybersecurity measures to prevent hacking and ensure the security of transactions.

3. Recent Legal Cases and Their Impact

Singapore's courts have addressed key issues related to cryptocurrencies in recent years, shaping the legal framework for digital assets.

Recognition of Cryptocurrencies as Property

In *ByBit Fintech Ltd v Ho Kai Xin and others* [2023] 5 SLR 1748, the High Court held that crypto assets like Bitcoin, Ethereum, Tether, Solana and Dogecoin were property and capable of being held on trust. Crucially, the courts recognised the ongoing efforts by MAS in acknowledging that crypto tokens can bring many potential benefits advantages. In addition, general recognition has been given to cryptocurrency as property in the Rules of Court. O 22 r1(1) of the Rules of Court 2021 defines “movable property” to include “cash, debt, deposits of money, bonds, shares or other securities, membership in clubs or societies, and cryptocurrency or other digital currency”. Hence, cryptocurrency has thus been expressly recognised as a form of property capable of being the subject matter of an enforcement order.

In essence, holding a crypto asset essentially grants the owner an intangible property right, which is recognized by common law as a chose in action and thus enforceable in court. This approach is not fundamentally different from how the law treats other socially constructed concepts, such as money. The value of currency, for example, is rooted in a collective belief in its worth, whether it involves shells or printed paper notes. This idea aligns with Lord Mansfield's statement in *Miller v Race* [1758] 1 Burr 452 at 457, where the courts held that items recognised as money through general societal acceptance gain the status and utility of currency for all practical purposes.

Freezing of Crypto Assets

In *CLM v CLN and others* [2022] 5 SLR 273; [2022] SGHC 46, the High Court granted a freezing injunction against individuals involved in the theft of cryptocurrencies. The court treated digital assets as property, applying traditional legal principles to a modern context.

4. Challenges for Banks and Financial Institutions

The integration of cryptocurrencies into the banking sector presents several challenges:

Operational Changes

Adapting existing systems to accommodate cryptocurrency transactions requires significant investment in technology and staff training. Banks must also develop robust cybersecurity frameworks to protect digital assets.

Legal Risks

With cryptocurrencies now recognised as property, banks may face legal challenges related to asset custody and dispute resolution.

5. Opportunities and Implications

Despite these challenges, the rise of cryptocurrencies presents significant opportunities for banks and financial institutions.

Banks can leverage blockchain technology to improve operational efficiency and develop new financial products. Collaborating with fintech companies and participating in regulatory sandboxes can help them stay competitive.

In digital currencies, banks can cater to a broader range of customers, including cryptocurrency investors and businesses. As an illustration, DBS Digital Exchange offers a platform that enables issuers to explore alternative methods of fundraising through its Security Token platform. This system allows for the digitization of traditional securities and assets into security tokens, which can then be



offered and traded on the platform. By leveraging blockchain technology, the exchange facilitates efficient capital raising and provides opportunities for the issuance and trading of structured investment products, opening up new pathways for fundraising and investment.

6. Conclusion

To conclude, the intersection of cryptocurrency and banking law in Singapore represents a dynamic and evolving field. Through the Payment Services Act 2019, progressive court rulings, and proactive initiatives by the MAS, Singapore has established itself as a leader in managing the challenges and opportunities posed by digital assets.

This article was authored by our Founding Partner and Head of Corporate [Oon Thian Seng](#) and Senior Associate [Angeline Woo](#).

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The team has capabilities in both non-contentious and contentious matters, and also assists banks with compliance and regulatory advice in the quickly developing AML/KYC compliance environment.

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^[1] <https://www.mas.gov.sg/news/speeches/2022/yes-to-digital-asset-innovation-no-to-cryptocurrency-speculation>

^[2] <https://www.mas.gov.sg/news/speeches/2019/payment-services-bill>

^[3] <https://www.mas.gov.sg/-/media/mas/sectors/guidance/guidelines-on-licensing-for-payment-service-providers-1/guidelines-on-licensing-for-payment-service-providers.pdf>

^[4] [https://www.straitstimes.com/singapore/politics/mas-receives-over-580-applications-for-payment-services-licence-has-reviewed-half#:~:text=SINGAPORE%20%2D%20Singapore's%20financial%20regulator%20has,on%20Tuesday%20\(April%205\).](https://www.straitstimes.com/singapore/politics/mas-receives-over-580-applications-for-payment-services-licence-has-reviewed-half#:~:text=SINGAPORE%20%2D%20Singapore's%20financial%20regulator%20has,on%20Tuesday%20(April%205).)