



INTEGRUM

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# MODERNISING SINGAPORE'S SECURITIES INFRASTRUCTURE

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## INTRODUCTION

The Monetary Authority of Singapore (“**MAS**”) released two closely related consultation papers that together represent a significant modernisation of Singapore’s securities market infrastructure. Taken together, these proposals are aimed at a fully electronic, paperless securities ecosystem, one that is more efficient, better protected, and future-ready for a tokenised financial economy. The two consultations are:

- P005-2026 — *Proposed Dematerialisation Regime for Shares of Listed Companies* (the “**Dematerialisation Proposal**”); and
- P006-2026 — *Proposed Regulatory Framework for Central Securities Depositories* (the “**CSD Proposal**”).

This regulatory update discusses how the two proposals are connected, outlines the key changes being proposed, and highlights why they are important.

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## INTERCONNECTEDNESS

Singapore's public retail market is currently held together by two foundational elements, the institutions that safekeep and manage electronic records of share ownership (the central securities depositories ("CSDs")) and the legal framework that determines how proof of share ownership is established and evidenced (currently through physical share certificates immobilized at the CSDs).

The Accounting and Corporate Regulatory Authority ("**ACRA**") published a public consultation in 2020 proposing the removal of the requirement for physical share certificates under the Companies Act ("**dematerialisation**"). In view of the potential market-wide efficiency gains, and in alignment with ACRA's proposal, the MAS has proposed legislative amendments to the Securities and Futures Act 2001 ("**SFA**") to facilitate the dematerialisation of shares of listed companies.

The Dematerialisation Proposal fundamentally changes how share ownership of listed companies will be recorded. By removing the requirement for physical share certificates, proof of ownership will shift entirely to electronic records maintained by a CSD.

The CSD Proposal on the other hand responds to this change by altering the rules governing CSDs, including mandatory reconciliation of records, confidentiality obligations, incident reporting, and AML/CFT controls. This will then have an extraterritorial reach to it, requiring CSDs in other countries that hold shares for listed companies to be regulated in Singapore through a recognition scheme (similar to that done for foreign exchanges and clearing houses).

While the suggested changes are, overall, good for the development of market efficiency, there are some proposals that should be carefully considered. We outline below the proposals.

## KEY PROPOSALS

### Dematerialisation Proposal

#### Going Paperless — Eliminating Physical Share Certificates

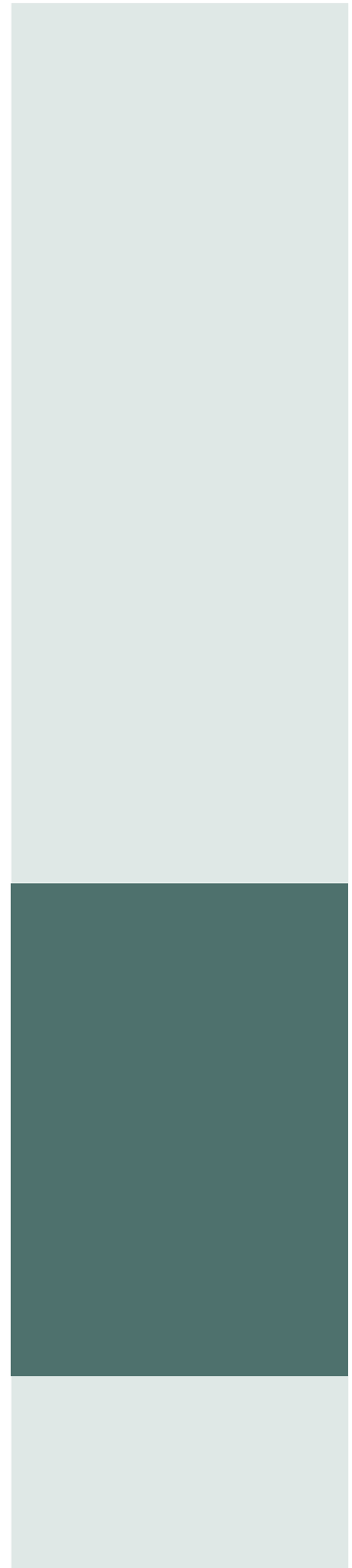
MAS proposes to remove the requirement for listed companies to issue physical share certificates. Share ownership can instead be recorded electronically, in alignment with ACRA's broader proposal to amend the Companies Act. All electronic shares so issued will need to be held with an approved CSD, which will maintain and reconcile records regularly. For the market, this will mean share transactions can be processed faster, more accurately, and at lower cost.

#### Electronic Register as Prima Facie Evidence of Title

For companies that have opted to dematerialize shares, the listed company's electronic register of members can constitute the primary evidence of share ownership, replacing the role previously played by physical certificates. This process may require some reexamination of contractual rights/obligations to make sure that the roles are properly defined.

#### All Electronic Shares to Be Held with an Approved CSD

Electronic shares of listed companies must be held with an approved CSD, which will



maintain a depository register of shareholders' holdings and conduct quarterly reconciliations with the listed company's register of members to ensure accuracy and integrity of records.

#### Rights of Electronic Shareholders Preserved

Shareholders holding electronic shares through a CSD will continue to enjoy the same statutory rights as under the current immobilisation regime, including voting rights and entitlements to corporate actions such as dividends.

#### Rights of Physical Certificate Holders Remain Unchanged

Shareholders who prefer to retain their physical certificates are not required to dematerialise. Their certificates remain valid prima facie evidence of ownership, and their existing rights, including the right to make off-market transfers, are unaffected. Should they choose to dematerialise in future, they may do so by depositing their shares with an approved CSD.

#### Pathways to Full Dematerialisation

To progressively move the market toward full dematerialisation, MAS proposes two specific measures:

- **New listings** — Companies seeking a listing on an approved exchange will be required to dematerialise their shares at the point of listing.
- **No reversal to paper form** — For listed companies that have already issued electronic shares, the CSD need not process the request from shareholders to convert electronic holdings back into physical certificates (current regime, allows investors to request and receive physical share certificates).

## CSD Proposal

#### Opening the Door for Multiple CSDs

Currently, only one institution (i.e., The Central Depository Pte Ltd (“**CDP**”)) is regulated to hold and manage electronic securities records in Singapore. MAS proposes to open this up to other approved CSDs in future, while ensuring all of them are held to rigorous, consistent standards. The existing regulatory provisions under Part 3AA of the SFA, which currently apply only to CDP, are proposed to be extended to cover all approved CSDs in Singapore. This includes requirements to operate safely, maintain accurate records, protect investor information, and have robust controls against financial crime. For investors, this means greater confidence that the institutions safekeeping their shares, whoever they may be, are operating under a strong and modern regulatory framework.

#### A Two-Tier Regulatory Regime

MAS proposes a two-tier structure for regulating CSDs:

- **Locally incorporated CSDs** will be subject to an approval regime, held to rigorous standards comparable to those applied to approved clearing houses.
- **Foreign incorporated CSDs** will be subject to a recognition regime, with a baseline level of obligations, where MAS will have regard to the standards applied by the CSD's home regulator. This recognition scheme can possibly be seen as something akin to the existing recognition scheme for foreign exchanges and clearing houses.

### Admission Criteria

All CSDs seeking approval or recognition must demonstrate fitness and propriety, adequate financial resources, and the ability to comply with ongoing regulatory obligations consistent with the standards applied to other systemically important financial market infrastructures. These admission requirements are similar to those imposed on entities operating as central counterparties (“**CCPs**”) and securities settlement systems (“**SSSs**”) seeking to be admitted as an Approved or Recognised Clearing House under the SFA.

MAS will assess foreign CSDs similarly to recognised clearing houses which will focus on two factors — whether strong cooperation exists with the home regulator and whether the foreign regulatory framework is comparable to Singapore’s (including similar objectives, oversight, and supervision). MAS will also consider if the home regulator follows Principles for Financial Market Infrastructures (“**PMFI**”) standards and, where possible, rely on the home regulator’s supervision.

### Ongoing Regulatory Obligations

Approved and recognised CSDs will be subject to a comprehensive set of ongoing obligations, including the following:

- operate safely, efficiently, and prudently;
- maintain adequate financial, human, and system resources;
- ensure fair and transparent access criteria for participants;
- maintain sound governance and appoint fit and proper persons to key roles;
- keep proper records and submit regular reports to MAS;
- maintain confidentiality of user information; and
- assist MAS in the discharge of its supervisory functions.

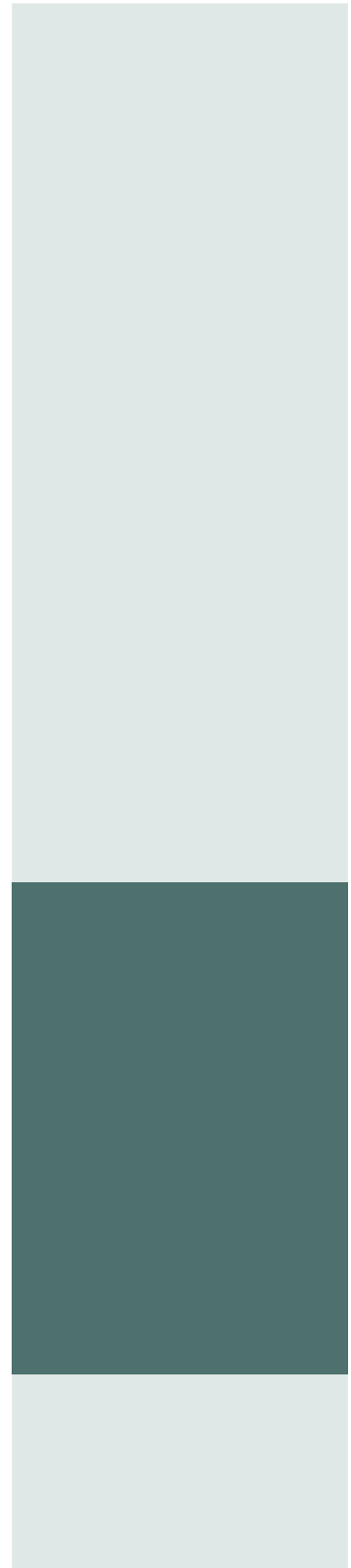
### Additional Legislative Safeguards

MAS proposes targeted legislative enhancements specific to the functions CSDs perform, including:

- a statutory trust over monies held by CSDs when administering corporate actions, ring-fencing such monies from the CSD’s own assets;
- a mandatory obligation to maintain confidentiality of depository information, covering information relating to investors’ securities holdings;
- a requirement for robust reconciliation procedures to ensure records between linked CSDs remain accurate and consistent;
- an obligation to notify MAS of any compromise to the integrity of securities records, with prompt investigation and remediation required; and
- mandatory AML/CFT controls to detect and deter money laundering and terrorism financing.

## CONCLUDING OBSERVATIONS

The release of these two consultation papers together signals a clear move toward a more modern, efficient, and resilient securities market in Singapore. Each proposal on its own



brings useful improvements, but together they form a well-aligned reform. They address both how share ownership is recorded in law and how institutions are regulated to safely manage and maintain those records.

For investors, these changes mean better protection of their assets, greater trust in electronic records, and a smoother overall experience as Singapore's capital markets evolve. For listed companies and other market participants, the reforms help reduce administrative work, simplify processes, and offer clearer regulatory guidance in a more digital environment.

Importantly, these proposals are not meant to disrupt or disadvantage any group. Shareholders who prefer physical certificates can continue to hold them, while those using electronic systems will benefit from stronger safeguards. At the same time, the move toward full digitalisation is gradual and guided by market readiness, rather than being sudden or forced.

Financial Institutions holding physical share certificates should consider how they will manage the transition for such clients, including the adequacy of client communication strategies, the resources required to facilitate dematerialisation requests, and the potential need for client education on the implications of the proposed changes.

Financial Institutions that are, or may in future be, operating as CSDs should carefully review the proposed ongoing regulatory obligations including governance requirements, fit and proper standards, record-keeping, reporting, and AML/CFT obligations and assess the compliance uplift required to meet these standards.

Given that full dematerialisation is intended to be progressive rather than immediate, FIs should begin considering their transition roadmap early, including any changes to the business model requiring licensing approvals from the MAS to operate under the proposed regime.

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