

Cryptocurrency Regulations in Singapore

Educational Series

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Regulatory overview

- The **Monetary Authority of Singapore (MAS)** is the central bank and financial regulatory authority. It administers the various statutes pertaining to money, banking, insurance, securities and the financial sector in general, as well as currency issuance.
- The **Securities and Futures Act (SFA)** is a legal document outlining the legislative stand the government takes to regulate the activities in the securities and derivatives industry.
- MAS has also specifically issued a guideline to digital token offerings. It should be noted that this is not an Act; it is meant to be read as a guideline to understand how cryptocurrencies relate to the Securities and Futures Act which was originally read with the traditional asset classes in mind. The Act is not legally binding.



Regulatory overview (continued)

- MAS clarified that “if a digital token constitutes a product regulated under the securities laws administered by MAS, the offer or issue of digital tokens must comply with the applicable securities laws.”
- Any digital tokens deemed to be capital markets products can be regulated. Capital market products under section 2(1) of the SFA means any securities, futures contracts, contracts or arrangements for the purpose of foreign exchange trading, contracts or arrangements for the purposes of leveraged foreign exchange trading and such other products as MAS may prescribe as capital markets products.

Regulatory overview (continued)

- The “applicable securities laws” refer to the **Securities and Futures Act (SFA)** and the **Financial Advisers Act (FAA)**.
- As for when and how a digital token is a type of capital markets under the SFA, MAS examines the structure and characteristics of (and rights attached to) a digital token.
- For example, a share representing ownership interest, a debenture representing indebtedness of issuer, or a unit in a collective investment scheme representing right or interest, or option to acquire right or interest; these 3 will be considered a capital market product under the SFA. Note that these characteristics are not exhaustive.

Prospectus requirements

- Prospectus requirements are needed if the digital tokens fall within the jurisdiction of the SFA as mentioned earlier. However, some are exempt if they met a certain level of requirements, for instance:
 - A small offer not exceeding S\$5 million within any 12 month period, subject to certain conditions.
 - A private placement offer made to no more than 50 persons within any 12 month period, subject to certain conditions.
 - An offer made to institutional investors only.
 - An offer made to accredited investors subject to certain conditions.

Other regulations

- Advertising restrictions may apply for the promotion of digital tokens.
- There are different intermediaries that facilitate offers or issues of digital tokens. These intermediaries must be licensed or recognized within the purview of the SFA and/or Financial Advisers Act unless they meet the exemption requirements.
- Singapore actively encourages the growth of the local fintech industry and this applies to digital tokens firms as well. Any firm looking to conduct fintech related activities are likely to be regulated by MAS. However, they can apply for the regulatory sandbox. If the application is approved, MAS supports by relaxing specific legal and regulatory requirements for the duration of the sandbox.

Regulatory development

- The friendly attitude of the Singaporean government is demonstrated when Ravi Menon, Managing Director of MAS, stated that the MAS “does not regulate virtual currencies; in fact, we welcome them as an innovation that can potentially reduce the cost of financial transactions. But we regulate the activities that surround virtual currencies if these activities post specific risks.”
- However, the government is also paying close attention to any illegal activities.
 - For example, the MAS stopped an unidentified issuer of an initial coin offering from continuing with its fund-raising bid on the basis of having broken rules governing securities and futures contracts. The ICO issuer has since refunded all funds from its Singapore-based investors.
- Digital token issuers, intermediaries and platforms that offer, facilitate or trade digital tokens are responsible for the compliance with relevant laws.

Regulatory development (continued)

- MAS also served warnings on eight exchanges in Singapore that allow digital tokens to be traded. MAS also stated that cryptocurrency exchanges must consult the regulator before trading in digital tokens that are deemed as securities or futures contract.
- Overall, the guidelines for digital tokens in Singapore clearly shows the support for blockchain from the government. Furthermore, the sandbox regulations that digital tokens can apply for further bolsters the outlook for companies to engage in blockchain and digital tokens-related activities in Singapore.
- However, the government is also not hesitant to take action if there is a clear infringement of the relevant laws. Interestingly, they protected the privacy of the non-compliant firms and have yet to name and shame any firms for lack of compliance thus far.

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