**Publication: Tech In Asia Online**
**Date: 07 June 2018**
**Headline: A wake-up call for Singapore’s blockchain companies**

## A wake-up call for Singapore’s blockchain companies

MAS headquarters in central Singapore / Photo credit: Tech in Asia

From banks to mom-and-pop investors, more players are crowding into the crypto space and this influx is keeping regulators on their toes.

In late May, the Monetary Authority of Singapore (MAS) issued a warning to eight digital token exchanges, prohibiting them from trading digital tokens that are securities or futures contracts without approval.

The platforms must halt the trading of such tokens until they are authorized, said Singapore’s central bank. These crypto exchanges commonly allow the buying and selling of digital tokens using fiat currency and also facilitate the swapping of digital tokens between users.

MAS ordered one issuer to stop selling its digital tokens because it launched an initial coin offering (ICO) without a registered prospectus, which is a requirement for securities-related products. In compliance with the rule, the issuer has taken “remedial actions” and given back all the funds it received from Singapore-based investors, according to the regulator.

**Here to stay**

But experts interviewed by Tech in Asia said that there’s no need for crypto companies in Singapore to panic, as the announcements are just a part of the central bank’s push to refine regulation.

If anything, Singapore’s rules are providing greater clarity and show that it takes the crypto game seriously, they added. More importantly, the increased scrutiny and measures indicate that MAS believes the crypto economy isn’t going away.

As such, crypto companies that mean real business should welcome the city-state’s stance and not fear it.

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"These announcements are not a tightening but rather a wake-up call to token providers and exchanges that may not be taking the current regulations on digital token offerings seriously enough," explained Paul Griffin, director of Singapore Management University's Masters of IT in Business program.

MAS also wants to "send a message out to token providers to ensure that Singapore remains a safe place to do any form of business," he continued.

Varun Mittal, ASEAN fintech lead at consultancy firm Ernst and Young, thinks that the MAS announcements are neither "revolutionary" nor "groundbreaking." Instead, it's a reminder to the community that Singapore's regulators are "watching."

Griffin added that MAS is stepping up its efforts to clarify policies because the longevity, volumes, and future potential of tokenization have served as an "impetus" for it to "understand, scrutinize, and decide how best to regulate the digital token market."

In November 2017, MAS published a guide to digital token offerings, sorting them into six case studies. The detailed report noted, for example, that a currency exchange that swaps fiat currencies for virtual ones and facilitates the trading of securities tokens, will have to be regulated under the Securities and Futures Act (SFA).

Crypto exchanges that handle fiat-to-digital naturally "need to be most regulated" as they hold the most risks, explained Bobby Ong, co-founder of CoinGecko, one of the world's largest cryptocurrency data websites. He cited reasons such as risks tied to money laundering or being subject to hacking and phishing attempts.

These exchanges also need to carefully determine whether a token is a security, an investment vehicle, or a utility token, and then decide which type of investors it should be offered to, said Griffin.

In addition, the experts pointed out an earlier MAS regulatory revamp announcement aimed at simplifying rules to improve business flexibility for market operators, including blockchain firms. The changes can help smaller operators have an easier time setting up their business in Singapore.

Ong sees both announcements as steps in the right direction. "Clear laws and guidelines by regulators are always welcomed by blockchain startups to ensure that the work that they are doing complies with regulations. It also helps blockchain companies with getting bank accounts."

Mittal has a similar view. "Singapore has never said, 'No.' It said, 'As long as you are aligned with the government and the laws of the country, you are fine.' That's how they look at it."

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## Regulations welcome

The city-state's "no-nonsense" approach gives companies more confidence in running their businesses, some shared.

Liu Yusho, co-founder of Singapore-based crypto-wallet provider Coinhako, says the MAS announcement "signifies the continued commitment of our regulators in developing Singapore into a global fintech hub."

He continued, "The lack of regulation before has opened up the industry to bad actors, resulting in a loss of confidence and inhibiting the innovative prowess of the cryptocurrency industry… No industry is sustainable without some form of regulation."

Otbert de Jong, CEO and co-founder of Insurance Market, added: "This news gives us even greater confidence to proceed with our own token generation event, knowing full well that MAS only allows solid propositions and offerings to proceed."

The crypto community is the only niche in the financial services industry that wants more regulation, and it expects more enforcement to come in this year, explained Henri Arslanian, who serves as consultancy firm PwC's fintech and crypto lead for Asia.

Crypto companies "want more appropriate and reasonable regulation to cover the space… to get rid of the bad apples" that just want to make a quick buck, he said.

## Global phenomena

Singapore and Thailand are among the many other jurisdictions that are clearly watching the crypto space.

The city-state's recent regulatory warning follows in the wake of other financial markets taking a stricter stance on crypto. Earlier this year, China increased its crackdown on some exchanges to expand its restrictions on ICOs, particularly via overseas venues. Hong Kong's regulator has also asked several exchanges to remove tokens that are similar to securities.

Currently, the most open regulator is Japan with its licensed crypto exchanges.

Experts note that because more exchanges are cropping up, increased regulation is the natural outcome. According to Ong, there are 130 exchanges in the world, with more launching each month.

It's good to see Singapore and Thailand, among other countries, regulate tokens and exchanges with clear rules, said Griffin. "It is very difficult to regulate the tokens themselves as they are in the global public domain, but [the government] can regulate the exchanges in their country. If all countries regulate in a similar way, then there will be a better global platform for this exciting technology."

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**Defining tokens**

Companies that are looking to launch an ICO aren't in such a fix, as they can get legal opinion on what category their tokens fall under and how to launch their ICO in their target jurisdiction.

But companies that have already launched their projects would probably get snared in changing regulations, Griffin and Ong said.

To avoid stepping on regulators' toes, companies planning an ICO should focus on defining the product or token they're building.

As Griffin pointed out, "If someone is buying a token as an investment, i.e. expecting a profit from the purchase, then most likely it will fall under the SFA regulations."

Also, companies should be aware of legal restrictions regarding investments in tokens by retail investors. Another consideration is that smaller token offerings will likely face less regulation, added Griffin.

Ong suggested consulting a "good lawyer" who can help navigate the space, and to also choose a jurisdiction that's favorable to the company's token sale.