MAS HALTS SECURITY TOKEN OFFERING IN SINGAPORE, ISSUES WARNING ON WEBSITES SOLICITING "CRYPTOCURRENCY" INVESTMENTS

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On 24 January 2019, the Monetary Authority of Singapore ("MAS") warned a digital token issuer (the "Issuer") not to proceed with its securities token offering in Singapore. Click here to access the MAS notice of 24 January 2019 in relation to the said warning.

The Issuer had intended to rely on an exemption under the SFA, which allows it to make an offer of securities to accredited investors without registering a prospectus with MAS, subject to certain conditions, including a restriction against advertising the offer. According to MAS, the Issuer (which was not named by MAS) was legally advised, had sought to conduct a global offering of securities tokens.

The Issuer failed to comply with the advertising restriction when its legal advisors put out a post on LinkedIn calling attention to the offer, which was made accessible to the public.
MAS reminded all digital token issuers that an offer of securities tokens must comply with all applicable securities laws including the requirement to register a prospectus with MAS. Issuers of digital tokens who intend to rely on the prospectus exemptions under the Securities and Futures Act (Chapter 289) (**"SFA"**) should note that these exemptions are subject to conditions, in particular, advertising restrictions.

MAS' said action makes it clear that communication of a token offering via social media, such as Facebook and LinkedIn, would constitute advertising. In the same notice, MAS' Assistant Managing Director (Capital Markets), Mr. Lee Boon Ngiap said that "MAS will not hesitate to act if issuers contravene the disclosure requirements under the SFA."
Following MAS' warning, the Issuer suspended its global offering of securities tokens.

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Separately, on 29 January 2019, MAS warned members of the public not to be misled by fraudulent websites that solicit investments in cryptocurrencies using fabricated information. One such example is websites that falsely claim that Singapore is adopting a cryptocurrency as its official coin.

MAS has warned members of the public that putting money in cryptocurrencies or digital tokens is highly risky. Specifically for digital token offerings, the risks include a highly speculative valuation, heightened risk of fraud and lack of a proven track record. Such factors make it difficult for investors to establish the credibility of the offerings.
For more information on securities token offerings in Singapore ("STO"), please read our article here which was published on 22 January 2019.

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