

# REGULATING CRYPTOCURRENCY EXCHANGES IN SINGAPORE

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## Introduction

In previous articles in this on-going series of articles on cryptocurrencies, blockchain and Initial Coin Offerings (“**ICOs**”), we discussed how 10 different jurisdictions around the world regulate ICOs, including the approach as set out by the Monetary Authority of Singapore (“**MAS**”) in their **Guide to Digital Token Offerings** issued on 14 November 2017 (the “**MAS Guide**”) and the definition of “securities” under section 2(1) of the Securities and Futures Act (Cap. 289) (the “**SFA**”). In this update, we explore the MAS Guide and MAS’s **Guidelines on the Regulation of Markets** (Guideline No: SFA 02-G01, 1 July 2005) (“**Market Guidelines**”) which may apply to Bitcoin and cryptocurrency exchanges. According to Coindesk, Bitcoin exchanges allow the transfer of fiat currencies, such as USD, into Bitcoin or vice versa. Some exchanges also allow Bitcoin to be exchanged with other digital currencies such as Ether, Ripple, Litecoin, etc. (“**Cryptocurrency Exchanges**”).

As of 1 April 2018, there are no Bitcoin exchanges or Cryptocurrency Exchanges in Singapore that are approved or recognized as exchanges or recognised market operators (“**RMOs**”) by the MAS.

## Listing on Cryptocurrency Exchanges

ICO aspirants often plan to eventually “list” their digital tokens on Cryptocurrency Exchanges, such as

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Bittrex, Bibox, Kraken, HitBTC, Bitfinex, Bithumb, bitflyer, Poloniex, and Binance (to name some of the biggest ones), to allow the public to purchase and sell the token issuer's digital tokens following their ICO. Listing digital tokens on Cryptocurrency Exchanges allows for a greater "market capitalisation", higher market demand and greater liquidity for the digital tokens.

Each Cryptocurrency Exchange has its own set of criteria to determine which digital tokens to list. Under Singapore law, any Cryptocurrency Exchanges which operate in Singapore must comply with anti-money laundering ("**AML**") and counter financing of terrorism ("**CFT**") requirements. MAS has in its press release of 13 March 2014, said that it intends to introduce regulations to require virtual currency intermediaries, including operators of cryptocurrency exchanges, that buy, sell or facilitate the exchange of virtual currencies for real currencies to verify the identities of their customers and report suspicious transactions to the Suspicious Transaction Reporting Office. As such, such exchanges should conduct their own due diligence on the token issuers as well as on persons wanting to trade digital tokens. Most (if not all) Cryptocurrency Exchanges do currently conduct their own due diligence and know-your-customer ("**KYC**") checks before agreeing to list any new digital tokens and the costs of conducting such checks are passed to token issuers who have listed on their Cryptocurrency Exchange in the form of compliance fees.

## Licensed Bitcoin Exchanges (outside Singapore)

In the U.S.A and Europe, Cryptocurrency Exchanges such as Coinbase and Kraken do not allow new and "smaller" tokens to be listed. Instead, these Cryptocurrency Exchanges primarily allow the exchange of Bitcoins and major cryptocurrencies with fiat monies.

Interestingly, on or about 29 September 2017, the Financial Services Agency ("**FSA**") of Japan, approved 16 exchanges which allow cryptocurrencies to be either exchanged for fiat monies or alternative cryptocurrencies such as Bitcoin Cash, Ether, Litecoin or Ripple, etc. Below is a table showing the 16 approved exchange operators in Japan and the cryptocurrencies offered are shown below:

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Exchange Operator	Cryptocurrencies offered
Bit Arg Exchange Tokyo	Bitcoin
Bit Bank Corporation	Bitcoin, Bitcoin Cash, Ethereum, LiteCoin, MonaCoin, Ripple
BitFlyer	Bitcoin, Bitcoin Cash, Ethereum, Ethereum Classic, LiteCoin, MonaCoin, Lisk
BITOCEAN	Bitcoin
Bit Point Japan	Bitcoin, Bitcoin Cash, Ethereum, LiteCoin, Ripple
Bit Trade	Bitcoin, Bitcoin Cash, Ethereum, LiteCoin, MonaCoin, Ripple
BTC Box	Bitcoin, Bitcoin Cash, Ethereum, LiteCoin
DMM Bitcoin	Bitcoin, Ethereum
Fisco Virtual Currency Exchange	Bitcoin, Bitcoin Cash, MonaCoin, NCXX Coin, CaicaCoin, FiscoCoin
FTT Corporation	Bitcoin
GMO Coin	Bitcoin, Bitcoin Cash, Ethereum, LiteCoin, Ripple
Money Partners	Bitcoin
Quoine	Bitcoin, Bitcoin Cash, Ethereum, Ripple, QASH
SBI Virtual Currencies	Bitcoin, Ripple
Tech Bureau (Zaif)	Bitcoin, Bitcoin Cash, Ethereum, MonaCoin, NCXX Coin, CaicaCoin, FiscoCoin, Counterparty, Nem, BitCrystals, PEPE Cash, Storjcoin, Zaif, ZenCash, Comsa
Xtheta Corporation	Bitcoin, Bitcoin Cash, Ethereum, Ethereum Classic, LiteCoin, MonaCoin, Ripple, Counterparty, Nem

Source: [FSA](#)

According to the FSA, there were up to 12 other companies seeking endorsement to operate in Japan. As of March 2018, two Japanese exchanges, Mr. Exchange and Tokyo Gateway have since withdrawn their application and ceased trading as a result of FSA inspections and requests.

## Regulation of Markets in Singapore

In Singapore, taking guidance from the MAS Guide, Cryptocurrency Exchanges which allow the exchange of any token constituting “capital markets products” regulated under the SFA would fall under Case Study 6 of the Guide. Cryptocurrency Exchanges that do not allow trading of any capital markets products regulated

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under the SFA are currently not subject to regulation.

Cryptocurrency Exchange operators which allow trading of tokens constituting “capital markets products” will need to seek MAS’s approval, recognition or exemption under the SFA. MAS’s Market Guidelines provide some guidance on how MAS will administer the legislative provisions relating to such markets. You may access the Market Guidelines [here](#).

## **MAS will consider the following factors in deciding whether a market operator should be an Approved Exchange or an RMO:**

- the size and structure, or proposed size and structure, of the market operated by the corporation;
- the nature of the services provided, or to be provided, by the market to be operated by the corporation;
- the nature of securities or futures contracts traded, or to be traded, on the market to be operated by the corporation;
- the nature of the investors or participants, or proposed investors or participants, who may use or have an interest in the market to be operated by the corporation;
- whether the corporation is regulated by MAS under the SFA or any other written law;
- the parties who may be affected in the event that the market to be operated by the corporation or the corporation itself runs into difficulties;
- in the case of a corporation operating an overseas market, whether the corporation, in the country or territory in which the head office or principal place of business of the corporation is situated, is subject to requirements and supervision comparable, in relation to the degree to which the objectives referred to in (Section 5) of the SFA are achieved, to the requirements and supervision to which market operators are subject under the SFA;
- the interests of the public; and
- any other circumstance that MAS may deem relevant.

## **Conclusion**

The growth of Cryptocurrency Exchanges has been picking up pace globally especially in the USA and Japan. Entities wishing to set up a Cryptocurrency exchange in Singapore should consider the relevant law and regulations applicable before establishing their exchange. As discussed above, Cryptocurrency Exchange operators allowing the listing and exchange of digital tokens which are “capital markets products” wishing to operate in Singapore will need to apply for approval, recognition or exemption to operate in Singapore.

We should also mention that MAS intends to regulate the sale of virtual currencies under a [New Payments](#)

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[Framework](#) according to their press release of 21 November 2017. Considering these developments and the global regulatory environment on cryptocurrency exchanges, aspirant Cryptocurrency Exchanges should take note of the Market Guidelines should they wish to submit an application to operate a Cryptocurrency Exchange in Singapore.

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