



TenX Singapore raised US\$80m in an ICO that only took seven minutes to raise.

Why Singapore ranks as the third most favourable country in the world for ICOs

Eleven of the 100 largest ICOs in the world, ranked by funds raised, are held by firms in Singapore.

When blockchain startup TenX raised close to US\$80m from its initial coin offering, in 2017, it was a seven-minute event that took months of careful preparation and banked on Singapore's status as one of the most attractive hubs for such fundraising. Eleven of the 100 largest ICOs by funds raised are held by firms in Singapore, ranking third in the world just behind the U.S. and Switzerland, which had 30 and 15, respectively, according to a July report from the Crypto Finance Conference.

Notably, Singapore pulled ahead of other Asian countries in the ranking, with China attracting only four of the top 100 ICOs, and Hong Kong and Japan having two each. Since then, Singapore has further solidified its position for ICOs, wherein startups drum up capital typically by selling cryptocurrency tokens in exchange for a widely-used virtual currency like Bitcoin or Ether, or cash. The tokens basically represent a right to receive some sort of benefit, or represent asset ownership or security interest over assets or property.

Some of the largest ICO campaigns in Singapore are Fusion Foundation, a startup building an "inclusive cryptofinancial platform" which raised US\$110m; Quoine, a cryptocurrency exchange platform which raised US\$105m in November 2017; and TenX, a cryptocurrency payments

Fusion Foundation, a startup building an "inclusive cryptofinancial platform" raised US\$110m.



startup which raised US\$80m in June 2017.

Meanwhile, some of the latest ICOs that took place in Singapore include Electrify, a retail electricity marketplace business that raised US\$30m in March; PolicyPal, an insurtech company and the first startup to graduate from the Monetary Authority of Singapore (MAS) fintech regulatory sandbox in August 2017 which raised US\$20m, and Bluzelle, a blockchain solutions provider and a partner of KPMG Digital Village which raised US\$19.5m in February in a lightning speed 24-hour campaign.

Jurisdiction of choice

Singapore's overall positive attitude and encouraging regulatory treatment towards cryptocurrencies has made the country a "jurisdiction of choice" for ICOs and helped foster a cryptocurrency and blockchain system, according to a joint report from consulting firm PwC and the Swiss Crypto Valley Association. In Singapore, tokens are treated as assets and MAS issued guidelines in November 2017, saying it will not regulate virtual currencies, but rather the involved activities.

"Essentially, if the tokens being offered do not fall within the definition of securities under Singapore laws, the ICOs are largely unregulated. MAS expects ICO issuers to

conduct their own independent legal due diligence that the tokens are not securities, and to also address anti-money laundering and counter financing of terrorism risks when issuing tokens,” said **Nizam Ismail**, partner at RHTLaw Taylor Wessing LLP and head, financial services and co-founder of RHT Compliance Solutions.

“This regulatory clarity has largely made Singapore one of the top jurisdictions in the world for the issuance of ICO tokens,” said Ismail, whose firm is advising the likes of Health FX, a health-based ICO that is looking to raise up to US\$38m on ICO Bench in September, as well as Soar, which seeks to create the global super-map using drone content, is looking to raise up to \$21.8m.

Despite the falling prices of cryptocurrencies, ICOs continue to boom, as ICO volume in the first five months of 2018 has already doubled that in the entire 2017, said the PwC-CVA joint report. From January to May, 537 ICOs with a total volume of more than \$13.7b have been registered compared with 552 ICOs with a volume of just over \$7.0b in the whole 2017. PwC Switzerland noted that the average size of an ICO has also nearly doubled from \$12.8m in 2017 to more than \$25.5m.

Ease of doing business

Compared to other jurisdictions where regulations are hazy or in flux, Singapore holds an advantage in attracting a big chunk of this rising ICO activity because it communicates clearer rules on what is permitted and what is not, allowing issuers to make decisions more confidently. The country also appeals to issuers that are seeking a strong support ecosystem as the government has set up incubator programs and investment funds focused on nurturing cryptocurrency and blockchain startups and development.

The ease of doing business in Singapore and its active local startup community further add to its appeal. Financial technology startup PLMP Fintech in July launched a six-storey blockchain centre at Serangoon North that focuses on speeding up blockchain ecosystem development for Singapore small and medium-sized enterprises. The facility, known as the Blockchain Technology Creatanium Centre, plans to offer consultancy services as well as development and training. The financial technology startup envisions blockchain as a way to improve financing access beyond Singapore’s large corporates, as it estimated that more than



Nizam Ismail



Lee Boon Ngiap

half of SMEs fail within the first three years primarily due to lack of capital.

There are approximately 219,000 SMEs in Singapore, contributing \$196.8b in gross value added to the economy and also hire more than 2 million of the population. Of these SMEs, up to four out of five do not qualify for business financing due to losses reported in their financials as well as being too young as most banks require loan candidates to have two to three years of operational history, according to research conducted by business loan consultancy Linkflow Capital in late 2017. This gap in financing has also driven up interest in pursuing ICOs in the Lion City and globally — and regulatory scrutiny with it.

“Regulators worldwide are looking at ICOs with keen interest, as ICOs gain traction as an efficient manner of direct fund raising for blockchain-based enterprises. ICOs have also afforded an alternative means of investment for investors,” said Ismail.

Regulatory divergence

Ismail reckoned regulators have varied in their approach to ICOs, with a handful of jurisdictions banning them outright. In 2017, China and South Korea blocked ICOs, although more optimistic observers believe these are temporary setbacks whilst the two countries look to set up their regulations.

Some jurisdictions have introduced specific regulations even for utility tokens, which represent future access to a company’s product or service, as opposed to tokens that are designed as investments, Ismail added. “Some have taken the view that so long as the tokens do not fall within the regulatory definition of securities or regulated activities, these are allowed or tolerated. Most regulators will have issued investor alerts on the risks of ICOs.”

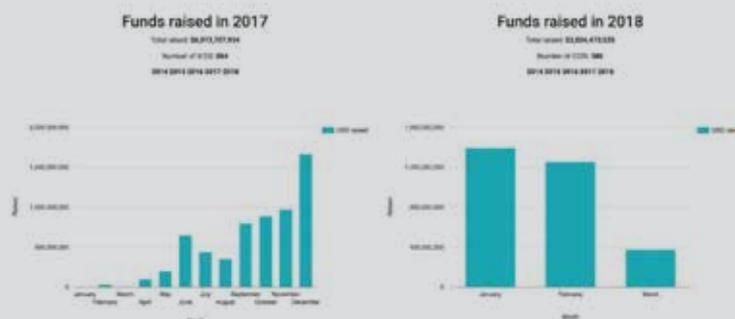
In May, MAS stopped an unnamed ICO as it did not follow the rules on securities and futures contracts, including making an offer without an MAS-registered prospectus. The regulator asked the issuer to return all the funds it had obtained from Singapore-based investors.

The MAS also warned exchanges that permit the trading of digital tokens to consult the regulator first before trading in digital tokens that are considered securities or futures contracts. MAS guidelines suggest that many digital tokens that promise a form of return are, in effect, securities, which means they must abide by the rules encompassing shares, units of real estate investment trusts and bonds.

“The number of digital token exchanges and digital token offerings in Singapore has been increasing. We do not see a need to restrict them if they are bona fide businesses. But if any digital token exchange, issuer or intermediary breaches our securities laws, MAS will take firm action,” said **Lee Boon Ngiap**, assistant managing director (capital markets) at the MAS, in a statement.

“The public should be aware that there is no regulatory safeguard if they choose to trade on unregulated digital token exchanges or invest in digital tokens that fall outside the remit of MAS’ rules,” Lee added. The regulator pledged to continue monitoring the ICO

Funds raised in Singapore



Source: xxxxxx

industry carefully, and said it was ready to issue more targeted legislation if needed.

Ismail reckoned the impetus for future ICO regulation could focus on specific issues such as mandating certain disclosures in white papers for better investor decision-making, regulation of forward-looking promises or projections, addressing liability for any false or misleading statements in white papers, putting in place a post-ICO communications framework with investors on project progress, and addressing market abuse on tokens that could take place in exchanges.

However, he noted that regulators are wary about moving ahead of the game from their peers, especially in the absence of international benchmarks set by supranational bodies. They are also careful in issuing regulations before they fully understand how ICOs work, and their impact on enterprises and the investing public.

Trust and transparency

Whilst regulatory conditions have become favourable for ICOs in Singapore, there is still the matter of building trust with the investing public to ensure a successful issuance.

“The biggest lesson I learned during TenX token sale was that trust and transparency are everything. In blockchain environment that is supposed to be ‘trustless’, people actually want to trust someone,” said **Dr. Julian Hosp**, co-founder and president of TenX, amidst lingering investor concerns on the credibility of ICOs.

“At the end it helps you nothing, if you have a great product but the team is not reachable. That’s why we put all of our top management people into customer-service roles before the token sale to make sure people knew who we all are,” said Hosp. He recounted that the TenX team released regular newsletters, shot YouTube videos, published Facebook posts, and engaged the community through multiple channels such as WeChat, with the added complexity of translating messages in different languages.

“Our transparent and authentic communication had massive impact on the success of the token sale,” said Hosp, adding that “I think the key is also in delivering value. Around half a year before our token sale we started educating people on the token sale. We were delivering value and building a product without getting any money for two years leading up to the token sale.”



Julian Hosp, founder of TenX

Fusion Foundation, a startup building an “inclusive cryptofinancial platform” raised US\$110m.



“And then within 7 minutes we basically cashed in on all that work without spending at all on marketing, because we already had the credibility. Many companies don’t want to work upfront, they want to get money first,” added Hosp.

The TenX founder admitted though that he is not following other ICOs that much since it takes a lot of time to evaluate them. This difficulty in understanding and keeping track of ICOs, coupled with a lack of specific regulations, has prompted industry initiatives to promote transparency and accountability in token sales.

“We are aware of ICO issuers who engage independent professional firms to provide custodial services for funds raised, those who conduct assurance audits on certain aspects of their ICOs,” said Ismail, whose firm is part of the Global ICO Transparency Alliance that aims to lift the industry standards and self-regulatory mechanism amongst ICO issuers through cooperation with ICO rating agencies, cryptocurrency exchanges and global blockchain associations. “Investors are also getting more discerning and asking tough questions,” noted Ismail, drilling down on the value proposition of the ICO, the track record of the founders, the team’s ability to execute the project, the quality of the ICO advisory team, amongst others. “This engagement takes place even after the conclusion of the ICO.”

On its website, ACCESS, Singapore’s leading industry association promoting cryptocurrency and blockchain, advises ICO purchasers should start their due diligence by identifying the underlying rights the tokens are offering. “If the coins do not offer securities, but offer some other underlying rights to services, goods or utility, it is largely unregulated by MAS. It would still be prudent for an investor to find out from the white paper, or from their own due diligence, how the company intends to use the proceeds from the ICO,” ACCESS added.

Investors must also scrutinise the company’s promoters, advisers, physical presence or lack thereof in Singapore, and track record. However, ACCESS warned that a company located outside of Singapore may present “practical legal difficulties in taking legal action against the company, or enforcing judgment against it.”

Looking forward to the regulatory future of ICOs, Ismail paints three potential scenarios panning out: The first is a “doom and gloom” scenario wherein most jurisdictions place an outright ban on ICOs, the second is a “heavy-handed regulations” scenario in which regulations are “very prescriptive, closely modelled after securities regulations” that require prospectus requirements. The third is a “balanced and sensible regulations” scenario wherein regulators work closely with the industry to frame rules that are not too prohibitive but still offer high protection to investors.

Ismail said the level of ICO issuer responsibility and amount of investor complaints on ICOs will likely play key factors in how heavily regulated token sales will become in Singapore and the rest of the world. “This is likely to be a quickly-evolving space. The outcome of ICO regulations will largely depend on the interplay of these drivers,” said Ismail.