

# Singapore Continues Ascent as Global Digital Asset Hub

Singapore, one of the biggest financial centres in the world, is rapidly establishing itself as a global hub for digital assets. The nation is one of the first major jurisdictions—following the lead of Switzerland—to provide a comprehensive framework for regulating digital assets. The stance that the Monetary Authority of Singapore (MAS) has taken on digital assets is a balanced one, aiming to encourage indigenous innovation in digital assets and blockchain, as well as attract foreign crypto enterprises to its shores. Its success in building its reputation as a global hub for innovation may well offer a useful blueprint for other jurisdictions to follow in developing their own regulatory framework for digital assets.



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**So how has** Singapore successfully positioned itself as a leader in the digital asset industry? In January 2020, the Payment Services Act (PSA) came into effect to regulate traditional as well as cryptocurrency payments and exchanges. The intention behind introducing PSA was to streamline payment services under a single piece of legislation, and provide a framework for obtaining a license to operate cryptocurrency business in the city-state. Singapore has created a framework under MAS that addresses the issues, complexities and licensing requirements of companies that want to set up a business dedicated to digital assets. The framework uses risk-based approaches that calibrate regulations to specific risks that classes of digital assets pose. The result is a simple, secure, and accessible ecosystem that encourages investment into digital assets and protects participants in the industry.

The license programme has proven popular, with over 170 applications filed with MAS to date including exchange heavyweights Coinbase, Binance and Gemini. Standards for receipt of application have been high, with MAS initially approving licences for institutional players that it judges can act in accordance with its stringent compliance standards. The brokerage arm of DBS Bank, the largest bank in Southeast Asia in terms of assets under management, has been one such beneficiary, awarded a licence by MAS which has enabled it to establish a platform for digital token trading, custody, and tokenisation services. It has proved a lucrative area of growth, with a shift to round the clock crypto trading in August seeing trading volumes in the following two months, surpassing the total trading volume of the first eight months of the year by 40 percent. The bank already onboarded 600 institutional investors and participants on its exchange, as of end of 2021, and forecasts to double that in the immediate future, after which it plans to grow this by 20-30% annually for the next three years.

### **Regulation: the final hurdle for adoption**

As the digital asset industry has matured, regulation has been the final hurdle for many businesses seeking to capitalise on the rapid growth in the sector. The



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availability of trusted counterparties and institutional-grade infrastructure has broken down the last major barrier to adoption for many institutional players, with many of the world's largest financial institutions, including Standard Chartered, State Street, and Citibank, quietly building digital assets divisions in anticipation of clear legislative frameworks on digital assets being finalised.

Singapore is not alone in providing a clear and comprehensive regulatory framework for digital assets. In Europe, Switzerland has enacted a DLT law which allows for a wide range of crypto and blockchain based enterprise activity, while the EU's Market in Crypto-assets (MiCA) framework is progressing at pace through the legislative process. Across the Atlantic, a number of regulators in the US, including the Federal Reserve, Federal Deposit Insurance Corporation (or FDIC), and Office of the Comptroller of the Currency (OCC) have issued a statement that they will provide guidance on the capacity of federally chartered banks to provide crypto services in the country in 2022.

Singapore has several advantages already which make it an ideal global hub for digital asset innovation. It is ideally positioned to take advantage of connectivity between Southeast Asia, India, and the West, as well as a strong supply chain of AAA-rated professional

services firms. Singapore's vibrant startup scene, which has served the traditional financial sector well, will also play an important role in helping the digital asset sector in the country to flourish.

Singapore's continued growth as a hub for digital assets is likely to pay considerable dividends for the city-state economy into the future as adoption of digital assets accelerates. Its newfound approach to regulating digital assets will pave the way for other countries to follow suit, setting a clear standard for

others to follow. With such benchmark crypto regulation regimes in operation across the globe, it is clear that stakeholders need to act now on digital assets or risk being left behind.

Patrick is VP of Customer Success and Managing Director APAC at METACO, a leading provider of security-critical software and infrastructure enabling financial institutions to enter the digital asset ecosystem. Previously, Patrick was a Director at Singapore based financial technology consultancy, Luxoft. ■

