

Would-be crypto investors in Singapore could face risk awareness tests

October 26 2022



The Monetary Authority of Singapore's proposals aim to protect cryptocurrency traders from losing large sums of cash.

People looking to trade cryptocurrency in Singapore may soon have to take a test to prove they understand what they are getting into, the

central bank said Wednesday, as it looks to prevent clueless investors from bankrupting themselves.

The Asian finance hub has taken cautious steps to expand its digital assets market, but has warned against the risks from trading in digital coins, especially among small investors lured by stories of quick riches.

"Trading in cryptocurrencies is highly risky and not suitable for the general public," the Monetary Authority of Singapore (MAS) said as it unveiled proposals to protect traders.

"However, cryptocurrencies play a supporting role in the broader digital asset ecosystem and it would not be feasible to ban them."

Under the plan, which will face public scrutiny before it can become legislation, the MAS will require cryptocurrency service providers to be more transparent in telling consumers about the risks so they can make informed choices.

Would-be investors must also take a test to assess their understanding of the risks before they are allowed to trade, and they will be barred from using credit cards or payment apps to buy the units.

If an applicant fails to answer the questions correctly, service providers can give them "educational materials... to strengthen the customer's knowledge of the risks... This should not be limited to those questions to which the retail customer answered incorrectly".

Incentives encouraging consumers to invest in crypto are not allowed, and service providers must also adhere to certain standards on how to carry out their business, the MAS said.

Chia Hock Lai, co-chairman of the Blockchain Association Singapore,

said while the proposed measures are "comprehensive", they run the risk of "over-regulating" as some are interconnected.

For example, the risk awareness test "should negate the need to bar credit card payments and provision of incentives to retail customers", he told AFP.

There has been a global push to regulate the crypto market following wild swings and a string of high-profile collapses, some of which took place in the city-state, hitting its reputation as a potential crypto hub.

In June, Singapore-based cryptocurrency hedge fund Three Arrows Capital collapsed, while Hodlnaut—a crypto lender based in the country—has been placed under interim judicial management.

Fugitive South Korean national Do Kwon, founder of cryptocurrency Terra, was also based in the city-state.

Despite the risks, digital currencies continue to attract investors because of reported big gains made over short periods and promotional endorsements encouraging the public to get into the market, the MAS said.

Cryptocurrencies are not backed by real-world assets, making them subject to huge price swings and trading in them is highly speculative.

© 2022 AFP

Citation: Would-be crypto investors in Singapore could face risk awareness tests (2022, October 26) retrieved 26 April 2024 from <https://techxplore.com/news/2022-10-would-be-crypto-investors-singapore.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private

study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.