

RESPONSE TO CONSULTATION PAPER

Please note that all submissions received will be published and attributed to the respective respondents unless they expressly request MAS not to do so. As such, if respondents would like (i) their whole submission or part of it, or (ii) their identity, or both, to be kept confidential, please expressly state so in the submission to MAS. In addition, MAS reserves the right not to publish any submission received where MAS considers it not in the public interest to do so, such as where the submission appears to be libellous or offensive.

Consultation topic:	Consultation Paper on Proposed Regulatory Approach for Derivatives Contracts on Payment Tokens
Name¹/Organisation: <small>¹if responding in a personal capacity</small>	CFA Society Singapore: Eric Michael Pascal, CFA Eugene Lau, CFA Joel Krueger, CFA Lee Weng Hoong, CFA Pierre-Julien Jandrain, CFA Tay Hock Meng
Contact number for any clarifications:	(65) 6323 6679
Email address for any clarifications:	advocacy@cfasingapore.org
Confidentiality	
I wish to keep the following confidential:	<i>(Please indicate any parts of your submission you would like to be kept confidential, or if you would like your identity to be kept confidential. Your contact information will not be published.)</i>

General comments:

The consensus amongst respondents from CFA Society Singapore members points to concerns on digital tokens as a form of payment. Although digital tokens are promising, concerns were raised on various fronts:

- 1) Digital tokens may be just hype.
- 2) Digital tokens may facilitate illegitimate businesses, fraud, crime and money laundering.
- 3) Credibility and integrity of the financial system may be compromised including a hit to the reputation of the financial sector due to various incidents such as stolen e-wallets, and the reasons cited in point #2.

In view of the concerns raised above, we welcome MAS approach to proceed with caution on digital tokens and its derivatives.

Question 1: MAS seeks comments on the draft amendments to the SF(PUT)R to categorically include Payment Token Derivatives offered by Approved Exchanges within the scope of the SFA.

There was a range of response - from expression of dismay on the possibility of indirectly legitimising digital coins as a form of payment despite them being a promising technology to growing acceptance of and interest in digital tokens. The market capitalisation of leading digital payment tokens is estimated to be in the billions of US\$. As such, there is a possibility that trading volumes and open interest of successful futures product can be multiples of the primary spot market.

However, if Digital Payment Token Derivatives were to be offered to retail investors, the 'Know Your Customer' step and process becomes even more important due to the risks associated with the product. The derivatives must be suitable for the retail investor. He or she must have the risk appetite and willingness to allocate a portion of funds to the derivatives. MAS should perhaps also limit the quantum of leverage offered to retail investors with regards to these derivatives including scrutinising the leverage offering requirements.

In conclusion, we welcome the recognition that MAS needs to regulate digital coins and its derivatives due issues raised throughout this document - it is conceptually a good start. As one respondent puts it, "Having a regulatory framework will be important for the responsible and safe development of these products and ultimately benefit users and service providers in the future".