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**Singapore Tightens Grip on Digital Payment Regulation: MAS Leads New Wave of Crypto and Payment Services Reform**

On 30 October 2024, the Monetary Authority of Singapore published the National Anti Money Laundering strategy which made waves in the world of digital finance. Monetary Authority of Singapore announced updates to the Singapore’s Payment Services Act (**PSA**), which introduce stricter regulations for digital payment token (**DPT**) service providers and payment institutions. These updates aims to safeguard consumer assets, enforce transparency, and promote responsible advertising in digital finance, reinforcing Singapore’s reputation as a trusted financial center that prioritizes security and consumer confidence.

The project to update the SG PSA has been a year in the making, spearheaded by a team of MAS regulators, compliance professionals, and industry experts who have worked together to design a framework that meets both the demands of a rapidly advancing market and the need for robust consumer protection. Since its inception, this project has focused on ensuring that consumers engaging in digital finance are well-protected, with clear regulatory requirements that uphold transparency and accountability across the sector. With the expanded SG PSA, MAS aims to create a financial landscape that deters high-risk speculative behavior while providing a secure and welcoming environment for both investors and service providers.

The SG PSA’s new provisions bring a series of important regulatory shifts. First, MAS has expanded licensing requirements for firms engaged in digital payment token services. In addition to existing DPT custodians and intermediaries, the updated framework includes entities facilitating token exchanges, cross-border transactions, and other related services, even if they do not directly handle assets. This closes potential gaps, ensuring that all key players in the digital finance ecosystem operate under MAS’s robust standards. The intention is clear; to create a safe, transparent market where all entities are held accountable, building an ecosystem that can effectively support Singapore’s ambitions as a global leader in digital finance.

Another element of the updated SG PSA is the introduction of measures to protect consumer assets. Under the new rules, DPT service providers are required to separate their own assets from those of their customers, safeguarding clients’ funds by holding them in statutory trusts. This asset segregation is designed to protect consumers from financial losses in the event of a provider’s insolvency or operational failure, addressing volatility concern in the highly volatile digital asset market.

Beyond asset protection, MAS has also taken a strong stance on marketing practices within the digital finance space. In an effort to mitigate speculative behavior and protect inexperienced investors from high-risk investments, MAS has limited DPT service providers’ ability to market directly to the public. By curbing aggressive advertising tactics, MAS aims to prevent risky, unregulated practices that can expose consumers to considerable financial risk. The MAS directive on advertising prioritises ethical engagement with its citizens, ensuring that marketing strategies within the digital finance sector are transparent and responsible.

The impact of these regulations, consumers can anticipate an environment where they can invest with greater confidence, knowing that their interests are safeguarded by stringent asset protection measures and that DPT service providers are held to high standards of accountability. With the required asset segregation and marketing restrictions, service providers will need to adapt quickly to align with MAS’s guidelines.

While committed to nurturing innovation in digital payments and tokens, the government has made it clear that responsible oversight is essential. MAS’s expanded PSA framework illustrates how Singapore plans to navigate the complexities of digital finance, by embracing technology and innovation within a secure, regulated space.

(Source: <https://www.mas.gov.sg/news/media-releases/2024/singapore-publishes-national-anti-money-laundering-strategy>)

**U.S. Securities and Exchange Commission Orders Comprehensive Compliance and Disclosure Reforms at J.P. Morgan**

On 31 October 2024, the United States Securities and Exchange Commission issued a set of significant enforcement actions against two of J.P. Morgan’s core entities, J.P. Morgan Investment Management Incorporated and J.P. Morgan Securities Limited Liability Company, addressing a number of compliance failures, undisclosed conflicts of interest, and regulatory breaches across the company’s investment advisory practices. These orders, which require immediate cease-and-desist actions, substantial penalties, financial restitution, and extensive compliance reforms, are aimed at upholding strict standards within the financial sector, particularly in areas of investor protection and regulatory transparency. The actions target violations under the United States Investment Company Act of 1940, the United States Investment Advisers Act of 1940, the United States Securities Act of 1933, the United States Securities Exchange Act of 1934, and the United States Securities and Exchange Commission’s Regulation Best Interest. Together, these laws regulate how firms should manage investor funds, disclose risks, and ensure that financial advice is unconflicted and in the best interest of clients.

**Unauthorised Principal Trades by J.P. Morgan Investment Management Incorporated**

The US Securities and Exchange Commission identified numerous instances of unauthorised principal trades conducted by J.P. Morgan Investment Management Incorporated from July 2019 to March 2021. The investigation found that the company executed 65 trades where it purchased securities from its affiliate, J.P. Morgan Securities Limited Liability Company, on behalf of clients, including several registered investment companies. Although J.P. Morgan Investment Management Incorporated held an exemption from the Securities and Exchange Commission to conduct certain trades with affiliates, it failed to adhere to the required conditions, such as ensuring fair pricing and reporting these transactions to the boards overseeing the registered investment companies.

The US Securities and Exchange Commission determined that J.P. Morgan Investment Management Incorporated’s lack of sufficient internal policies and compliance controls violated Section 17(a)(1) of the United States Investment Company Act of 1940, which prohibits principal trades involving affiliated entities without specific exemptions. Furthermore, J.P. Morgan Investment Management Incorporated’s actions breached Sections 206(3) and 206(4) of the United States Investment Advisers Act of 1940, which require advisers to disclose and obtain consent before such trades are completed. To address these violations, the Securities and Exchange Commission ordered J.P. Morgan Investment Management Incorporated to revise its policies and controls to prevent recurrence, as well as to pay a financial penalty as a measure of accountability.

**Liquidity Manipulation Using Domestic Funds for Foreign Fund Advantage**

During the severe market instability caused by the COVID-19 pandemic in March 2020, J.P. Morgan Investment Management Incorporated structured a series of transactions to allow a foreign fund, ineligible for the United States Federal Reserve’s Money Market Mutual Fund Liquidity Facility, to benefit from liquidity intended exclusively for domestic funds. This facility was established by the Federal Reserve to aid United States-registered funds during the financial crisis, but it explicitly excluded foreign funds. J.P. Morgan Investment Management Incorporated orchestrated a series of transactions that effectively enabled the foreign fund to access liquidity indirectly, placing the domestic funds at heightened financial and regulatory risk.

The Securities and Exchange Commission determined that these actions violated Section 17(d) of the United States Investment Company Act of 1940 and Rule 17d-1, which restrict joint transactions that unfairly benefit affiliates without an exemption from the Securities and Exchange Commission. The Securities and Exchange Commission’s order requires J.P. Morgan Investment Management Incorporated to halt this practice and to strengthen its internal compliance controls to prevent similar joint transactions in the future.

**Misleading Disclosures in Conduit Investments**

The Securities and Exchange Commission found that between January 2019 and June 2022, J.P. Morgan Securities Limited Liability Company failed to accurately disclose its handling of distributions within its Conduit investment products. These products involved shares distributed from private equity or hedge fund investments, which were intended to be liquidated as soon as practicable. However, J.P. Morgan Securities Limited Liability Company often held these shares for extended periods—sometimes exceeding 100 days—resulting in significant exposure to market risks that clients had not anticipated. Despite disclosures suggesting timely liquidations, the actual delays increased potential losses for investors.

This conduct constituted a violation of Section 8A of the United States Securities Act of 1933, Sections 15(b)(4) and 21C of the United States Securities Exchange Act of 1934, and Section 203(e) of the United States Investment Advisers Act of 1940. These provisions collectively require financial firms to fully disclose risks and prohibit unauthorised discretionary control over client investments. The Securities and Exchange Commission’s order mandates that J.P. Morgan Securities Limited Liability Company provide financial restitution to affected investors and improve its disclosure practices to ensure clients are informed of any delays or associated risks in the future.

**Undisclosed Conflicts of Interest in the Portfolio Manager Programme**

Since 2017, J.P. Morgan Securities Limited Liability Company has recommended its in-house Portfolio Manager Programme to clients over external management options, providing direct financial benefit to its advisers and the company itself. However, the Securities and Exchange Commission found that the company did not sufficiently disclose this financial incentive, creating an undisclosed conflict of interest. Clients who chose the Portfolio Manager Programme were often charged higher fees, directly increasing adviser compensation.

The Securities and Exchange Commission ruled that these practices breached Section 15(b) of the United States Securities Exchange Act of 1934 and Sections 203(e) and 203(k) of the United States Investment Advisers Act of 1940, which mandate clear disclosure of conflicts that may affect the impartiality of recommendations. As part of its order, the Securities and Exchange Commission required J.P. Morgan Securities Limited Liability Company to implement enhanced disclosure protocols, provide comprehensive training for advisers, and develop protocols that ensure recommendations are based solely on the client’s best interests.

**Regulation Best Interest Violations in High-Fee Mutual Fund Recommendations**

Under Regulation Best Interest, which mandates that broker-dealers act in their clients’ best financial interests when recommending investments, J.P. Morgan Securities Limited Liability Company failed to act in the best interest of its clients from June 2020 to July 2022. During this period, advisers recommended mutual funds with higher fees—known as Clone Mutual Funds—over lower-cost exchange-traded fund alternatives with identical investment profiles. This conduct led approximately 10,516 clients to incur an additional $14 million in fees.

The Securities and Exchange Commission found these actions to be in violation of Regulation Best Interest’s Care Obligation, outlined in Exchange Act Rule 15l-1(a)(1), which mandates that broker-dealers prioritise cost-effective recommendations that are in the client’s best interests. J.P. Morgan Securities Limited Liability Company was also found in violation of Regulation Best Interest’s Compliance Obligation, which requires firms to establish effective policies that enforce compliance with client-first standards. To address these breaches, the Securities and Exchange Commission ordered J.P. Morgan Securities Limited Liability Company to provide restitution to impacted clients and to overhaul its procedures to ensure that cost considerations are central to future recommendations.

The comprehensive orders issued by the US Securities and Exchange Commission against J.P. Morgan Investment Management Incorporated and J.P. Morgan Securities Limited Liability Company included an array of penalties and corrective measures, ranging from substantial financial penalties to strengthened internal compliance protocols. United States Securities and Exchange Commission aims to reinforce standards within advisory and investment practices, protecting the interests of investors and holding financial firms accountable to the legal and regulatory frameworks governing the United States financial industry.

(Source: <https://www.sec.gov/newsroom/press-releases/2024-178>)

**Bitcoin Meets the Central Bank: Argentina’s Groundbreaking Exhibit Merges Art and Crypto Mining**

On 31 October 2024, the Central Bank of Argentina (**BCRA**) held an exhibition at its Historical Museum, bridging the worlds of digital assets and traditional finance through live Bitcoin mining as part of an art display. This exhibit, titled “Art, Artificial Intelligence, and the Future of the Economy,” is a global first for central banks, blending cutting-edge cryptocurrency mining equipment with contemporary art to explore the transformation of money. By daring to showcase decentralized finance within its institution, the BCRA signals a progressive stance, inviting the public to reflect on the future of value as currency moves from physical cash to decentralized, blockchain-driven systems.

The centerpiece of the exhibition is the work of Alberto Echegaray, a digital artist whose installations probe the tension between traditional and digital economies. His piece, “Moneyballs,” encapsulates this shift through spheres filled with shredded banknotes, crafted from decommissioned U.S. dollars and Argentine pesos. These physical remnants of cash stand as a powerful symbol of the fading dominance of paper money in an era increasingly defined by digital and decentralized finance. With operational Bitcoin and Ethereum mining rigs embedded in the exhibit, Echegaray presents the blockchain process in real-time, directly connecting his artwork to the active financial data flows that define today’s crypto economies. This blend of art and technology transforms the exhibition into an immersive experience, challenging viewers to question long-held perceptions of currency and wealth.

The exhibit speaks volumes about the Argentine government’s approach to technology and finance, showcasing an openness to explore decentralized systems within the walls of a traditionally centralized institution. This is a remarkable shift for a central bank, which historically serves as the anchor of centralized financial control. By opening its doors to an art installation that celebrates decentralization, the BCRA signals a willingness to engage with, rather than resist, the changes brought by blockchain and artificial intelligence. Argentina, a country that has faced significant inflation and currency volatility, is uniquely positioned in this regard, as many Argentinians have already turned to cryptocurrencies as an alternative store of value. The government’s support for this exhibit reflects an understanding that the financial landscape is changing, and that embracing technology, rather than sidelining it, may be the key to navigating future economic challenges.

This exhibition also plays a crucial role in the blurring lines between traditional finance and decentralized finance (**DeFi**), marking a pivotal moment where these once separate worlds intersect. While traditional finance has long relied on centralized structures governed by banks and regulatory bodies, DeFi introduces a distributed model that minimizes intermediaries, empowering individuals to participate directly in financial transactions. By placing cryptocurrency mining rigs in the central bank’s museum, the BCRA acknowledges the rising significance of decentralized finance and its potential to reshape economies. This gesture reflects a growing global trend: governments and financial institutions worldwide are re-evaluating their stance on blockchain technologies, recognizing that DeFi’s transparent, open-access model holds benefits that could complement or even transform traditional financial systems. With central banks in other regions, such as Europe and the United States, exploring digital currencies and blockchain-backed assets, Argentina’s exhibit contributes to a broader dialogue about the compatibility of DeFi within established economic frameworks.

Globally, this shift is being closely watched, as countries weigh the potential benefits and challenges of integrating DeFi into their existing financial ecosystems. Central banks in several nations are piloting digital currencies, often referred to as central bank digital currencies (**CBDCs**), which, while technically distinct from cryptocurrencies, represent a nod toward a digital future. Argentina’s pioneering exhibition, showcasing both physical cash and decentralized technology side-by-side, serves as a powerful symbol of this transition. It prompts a conversation about whether traditional financial authorities can coexist and even collaborate with decentralized systems, rather than viewing them solely as competition.

In Argentina’s exhibition, the visitor sees not only the potential of digital economies but also a profound question about the very nature of money in a digital-first world. The BCRA’s willingness to display Bitcoin and Ethereum mining alongside traditional financial symbols challenges viewers to envision a new model for value—one that is less tangible yet deeply interconnected with technology and public participation.

**United States Commodity Futures Trading Commission Issues Advisory Warning on Dangers of Messaging Apps for Crypto Users**

On 31 October 2024, the United States Commodity Futures Trading Commission (Commodity Futures Trading Commission) issued a customer advisory warning users of popular messaging applications about the risks of crypto-related fraud schemes. Through this advisory, titled Use Caution Responding to Messaging Apps, the Commodity Futures Trading Commission aims to educate consumers on the tactics fraudsters employ to exploit the default settings of messaging apps, with an emphasis on safeguarding crypto assets.

In its announcement, the United States Commodity Futures Trading Commission highlighted the rise of scams on applications like WhatsApp, Telegram, and SMS text messaging, where fraudsters exploit default settings to add users to group chats, often without their consent. The advisory informs users about how these default settings enable scammers to include both targeted and random numbers in fraudulent groups or chats, promoting deceptive schemes such as crypto pump-and-dump tactics. There is a urgent need for users to remain vigilant about unsolicited messages that may seem to offer high returns on crypto investments, typically using enticing promises of significant gains with no risk.

Melanie Devoe, Director of the United States Commodity Futures Trading Commission’s Office of Customer Education and Outreach, stated, “People who use these apps may not be familiar with the risks and frauds commonly associated with crypto assets, receiving a group message promising 300% or 1,000% returns with zero risk or getting in on a supposed crypto opportunity, can be enticing, but it is best to not engage.” Her comments reflect a growing awareness within the United States Commodity Futures Trading Commission about the vulnerabilities that messaging app users face, especially within the volatile and complex landscape of digital assets.

To help users avoid falling victim to such scams, the United States Commodity Futures Trading Commission advises precautionary measures. Users are encouraged not to reply to unknown messages, to delete unsolicited group messages, and to block and report these senders. The advisory also suggests that users review and adjust privacy settings across their messaging apps, carrier accounts, and device settings, which can limit contact to known individuals and prevent future spam. Many major mobile carriers also provide free SMS spam-blocking services or filtering apps, which can be an additional line of defence against unwanted contact.

The office frequently partners with other federal and state regulators, as well as consumer protection groups, to increase public awareness of financial threats and to provide guidance on safeguarding personal assets. Its repository of educational materials, available on the United States Commodity Futures Trading Commission’s website, continues to be a valuable resource for retail investors seeking information on navigating the risks in the digital finance landscape.

In addition to the warnings on messaging apps, the Commodity Futures Trading Commission’s advisory stresses the importance of engaging with only regulated financial entities for crypto trading. It notes that all trading involves risks, and users should be sceptical of any messages received via WhatsApp, Telegram, or SMS that promise guaranteed returns. It advises users to verify the legitimacy of any trading platform through the United States Commodity Futures Trading Commission’s “Check” registration tool, which lists qualified, regulated individuals and firms in compliance with United States trading standards.

 (Source: <https://www.cftc.gov/PressRoom/PressReleases/9005-24>)

**Singapore FinTech Festival 2024 to Spotlight Artificial Intelligence and Quantum Technology in Financial Innovation**

On 3 November 2024, the Monetary Authority of Singapore (**MAS**) announced the ninth annual Singapore FinTech Festival (**SFF**), scheduled to take place from 6 to 8 November 2024. Organised by the Monetary Authority of Singapore in collaboration with the Global Finance & Technology Network and Constellar, this year’s event will place a special emphasis on artificial intelligence and quantum technology, underlining their growing importance in transforming the financial sector. The festival aims to serve as a collaborative platform where industry leaders, policymakers, and technology experts can come together to explore the possibilities these technologies offer, as well as their implications for areas such as decarbonisation, digital asset adoption, efficient cross-border payments, and financial inclusion.

The festival’s main events will be preceded by the Insights Forum, an invitation-only event held on 4 and 5 November. This forum will feature the Layer One Summit, focused on fostering dialogue between the public and private sectors about the future of financial infrastructure. Alongside, the Green Circle Climate Forum will bring together corporate leaders, non-governmental organisations, and financial experts to discuss the development of high-quality carbon markets. Additional roundtable discussions involving both public and private sector leaders will be held to generate actionable outcomes for critical issues impacting the financial sector.

The Innovation Lab Crawl, also scheduled for 4 and 5 November, will offer festival participants an exclusive look at cutting-edge fintech innovations from 16 leading organisations such as the Visa Innovation Centre, Bank Julius Baer Launchpad, and the National University of Singapore FinTech Lab. This event will allow attendees to observe emerging fintech projects and explore the technologies set to reshape financial services in the coming years.

The main conference of SFF 2024 will feature an extensive programme, including over 900 speakers across more than 400 sessions, each focusing on one of six key themes. First among these is the Roadmap for Artificial Intelligence and Quantum, which will explore how artificial intelligence and quantum technology can be used responsibly within financial services, with discussions addressing both their potential benefits and associated risks.

The Blueprint for Digital Assets theme will focus on the growth and regulation of digital assets, discussing strategies for interoperability and secure industry adoption. Another focus area, Next-Generation Transactions, will highlight solutions to current global payment challenges, promoting innovation in cross-border payments and alignment across jurisdictions. In Sustainability in Action, experts will discuss advances in ClimateTech, climate data, and environmental, social, and governance (**ESG**) metrics, examining how these innovations can support global decarbonisation goals.

The festival will also address Bridging the Financial Inclusion Gap, where discussions will focus on leveraging technology and collaborative policies to improve financial access for underserved communities. Finally, Talent of Tomorrow will delve into the impact of generative artificial intelligence on skills, career paths, and workforce needs within the financial sector, with insights on how industry leaders can navigate the evolving tech talent landscape.

This year’s festival will also feature a large-scale exhibition, bringing together over 600 exhibitors and 41 international pavilions across five themed zones: Technology, Founders and Investors, ESG, Regulation, and Talent. Each zone will showcase pioneering financial services innovations relevant to the future of the industry, with an emphasis on addressing pressing challenges within these thematic areas.

Moreover, SFF 2024 will introduce six new certification programmes through Elevandi Education and other professional development partners, aimed at enhancing participants’ learning experiences. Notably, the Leadership in the Future of Finance programme, developed in partnership with BondbloX, Elevandi Education, and the Singapore FinTech Association, is designed for senior executives to deepen their understanding of artificial intelligence, digital assets, and sustainability as the primary pillars shaping the future of finance.

Sopnendu Mohanty, Chief FinTech Officer at the Monetary Authority of Singapore and Group Chief Executive Officer Designate of the Global Finance & Technology Network, spoke on the importance of strategic planning and partnership in the digital transformation of finance. “Architecting the next transformation for our digital future requires thoughtful planning, strong partnerships, and sustained investments,” he stated, highlighting the role of SFF 2024 as a unifying platform for innovators, leaders, and regulators to shape a resilient and inclusive digital economy.

Paul Lee, Chief Executive of Markets at Constellar, shared similar sentiments, emphasising the urgency of adapting to emerging technologies as they continue to reshape global financial services. Lee noted that this year’s festival would feature a substantial increase in artificial intelligence showcases, offering participants a comprehensive look at the latest products designed to build business resilience.

With its wide-ranging agenda that emphasises artificial intelligence, quantum technology, and the digital transformation of financial services, SFF 2024 reflects Singapore’s ambition to be at the forefront of fintech innovation. By fostering dialogue between industry stakeholders and regulatory bodies, the festival aims to promote advances in regulatory standards, enhance operational efficiency, and prepare the sector for future challenges. Through these initiatives, SFF 2024 aims to build a robust and sustainable digital economy that serves as a model for the international financial community. Through a series of events and initiatives, SFF 2024 will foster industry collaboration, providing insights into best practices and global trends that can shape the future of Singapore’s fintech landscape.

(Source: <https://www.mas.gov.sg/news/media-releases/2024/singapore-fintech-festival-2024-kicks-off-with-ai-and-quantum-technology-in-focus>, [https://www.mas.gov.sg/-/media/mas/news/media-releases/2024/annex-a–list-of-headline-and-notable-speakers-at-the-singapore-fintech-festival-2024.pdf](https://www.mas.gov.sg/-/media/mas/news/media-releases/2024/annex-a--list-of-headline-and-notable-speakers-at-the-singapore-fintech-festival-2024.pdf))

**UK Financial Conduct Authority Welcomes First Project Guardian Industry Report on Tokenisation in Asset Management**

On 4 November 2024, the Financial Conduct Authority welcomed the inaugural [report](https://www.mas.gov.sg/-/media/mas-media-library/development/fintech/guardian/guardian-funds-framework.pdf) on tokenisation in the asset management sector from Project Guardian, an international collaboration spearheaded by the Monetary Authority of Singapore. This report, developed through Project Guardian’s asset and wealth management workstream, outlines an ambitious roadmap for the implementation of distributed ledger technology within asset management, aiming to facilitate more efficient, transparent, and accessible investment solutions for firms and investors alike.

The announcement from the Financial Conduct Authority highlights the significance of the report in setting the foundation for an industry-wide shift towards the use of distributed ledger technology and tokenisation. As part of this initiative, the Financial Conduct Authority is committed to collaborating with Project Guardian members in exploring regulatory considerations around tokenisation in asset management. This work will examine potential regulatory and supervisory principles that can support safe tokenisation practices, as well as assess any barriers that might impede the adoption of tokenisation within the asset management sector.

The Guardian Funds Framework outlined in the report sets a phased approach for implementing distributed ledger technology across the fund lifecycle, from origination and issuance to secondary market trading and custody. This framework reflects Project Guardian’s focus on advancing regulatory technology and developing standards that will enable the scalability of tokenisation use cases across asset management. According to the report, tokenisation can significantly enhance transparency and accessibility, streamline operations, and reduce costs, creating a more investor-focused and flexible asset management industry. The Financial Conduct Authority’s support of this vision demonstrates its commitment to nurturing an innovative financial sector that can safely integrate digital advancements.

In 2025, the Financial Conduct Authority will work closely with the Monetary Authority of Singapore to explore regulatory adaptations necessary for integrating tokenised assets within the existing regulatory landscape. This collaboration aims to identify principles that can enhance consumer protection and market integrity within tokenised environments while mitigating any potential regulatory barriers that may hinder the continued growth and adoption of tokenisation.

Project Guardian was established to create a globally aligned approach for exploring the potential of tokenisation in asset and wealth management. The Guardian Funds Framework, an initiative within Project Guardian, serves as a non-prescriptive guideline and best practice document for implementing tokenisation in asset management​ (Guardian-Funds-Framework). The framework aims to address various operational and technical challenges associated with tokenisation, such as risk management, standardisation of asset servicing, and regulatory compliance.

The Financial Conduct Authority, as part of Project Guardian’s policymaker group, has been actively involved in working with firms from the United Kingdom, Singapore, and other international regions to develop tokenisation use cases, including participation in events like the Point Zero Forum in Zurich. This collaboration has allowed the Financial Conduct Authority to observe and contribute to early developments in tokenisation, supporting its regulatory and industry insights as tokenisation projects progress globally.

To support the evolution of tokenisation, the Financial Conduct Authority and Project Guardian stress the importance of establishing industry standards for digital assets and distributed ledger technologies. The Guardian Funds Framework report provides an industry vision for distributed ledger technology, describing tokenisation’s potential to simplify asset ownership and increase asset liquidity. It also discusses how tokenisation can introduce composable and modular structures that cater to investor-specific needs, ultimately aiming to transform the asset management industry from a product-centric to a client-centric model.

The Financial Conduct Authority and the Treasury are acting as observers on the Technology Working Group of the United Kingdom’s Asset Management Taskforce, which is examining the feasibility and potential benefits of fund tokenisation for the United Kingdom market.

(Source: <https://www.mas.gov.sg/-/media/mas-media-library/development/fintech/guardian/guardian-funds-framework.pdf>, <https://www.fca.org.uk/news/statements/fca-welcomes-project-guardian-report-tokenisation>)

**Hong Kong’s Securities and Futures Commission Hosts Forum to Drive Responsible Adoption of RegTech**

On 4 November 2024, the Securities and Futures Commission of Hong Kong concluded its Anti-Money Laundering and Counter-Financing of Terrorism Regulatory Technology Forum 2024. This forum was held to encourage the financial services sector to adopt regulatory technology responsibly to combat money laundering and terrorism financing. With over 300 participants, including government officials, industry experts, and financial sector representatives, the forum marked a significant step toward enhancing regulatory compliance and risk management through advanced technology.

The central aim of the forum was to promote the widespread and responsible adoption of regulatory technology, commonly referred to as Regtech, within Hong Kong’s financial services industry. This aligns with the Securities and Futures Commission’s goal of building a resilient financial sector with robust anti-money laundering and counter-financing of terrorism practices. In conjunction with the event, the Hong Kong Securities and Futures Commission released its Report on the Adoption of Regulatory Technology for Anti-Money Laundering and Counter-Financing of Terrorism, which outlines the current progress, primary drivers, and practical examples of Regtech use cases.

The full-day forum opened with remarks from Julia Leung, Chief Executive Officer of the Hong Kong Securities and Futures Commission, who strongly urged the financial industry to take advantage of the opportunities presented by regulatory technology. Ms Leung stressed the importance of Regtech in creating cost-effective compliance solutions, noting that “it is more affordable than you think, especially compared to the heavy cost of overlooking money laundering risks.” Her statement highlighted the need for financial institutions to weigh the cost of Regtech adoption against the potential financial and reputational damages associated with failing to address money laundering risks.

Ms Leung also introduced the Hong Kong Securities and Futures Commission’s newly published report, which provides a roadmap for Regtech adoption across the sector. This report offers insights into the progress Hong Kong’s financial sector has made in integrating Regtech, identifies key factors driving its adoption, and outlines practical applications for enhancing anti-money laundering and counter-financing of terrorism efforts. Through this roadmap, the Securities and Futures Commission aims to make compliance more streamlined and effective, strengthening the overall integrity of Hong Kong’s financial system.

Joseph Chan, Acting Secretary for Financial Services and the Treasury, delivered a keynote address, reinforcing the significance of collaboration within the financial sector to improve compliance through regulatory technology. Mr Chan called upon the industry to leverage advancements in artificial intelligence and financial technology, suggesting that collective efforts could help Hong Kong establish a resilient, competitive, and responsible financial ecosystem. His message resonated with the forum’s focus on creating a technologically advanced financial environment that upholds rigorous anti-money laundering and counter-financing of terrorism standards.

One of the key sessions of the forum was led by Dr Eric Yip, Executive Director of Intermediaries at the Hong Kong Securities and Futures Commission, who hosted a panel discussion with senior representatives from the Hong Kong Customs and Excise Department and the financial industry. This session addressed emerging trends in money laundering risks and highlighted the transformative potential of Regtech in managing and detecting these risks. Dr Yip emphasised the value of regulatory technology in processing large volumes of data, enabling financial institutions to detect and respond to risks related to money laundering and terrorist financing promptly and effectively. This data-driven approach, he explained, allows for proactive risk management, positioning Regtech as an essential tool in the modern regulatory landscape.

(Source: <https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=24PR188>)

**United States Securities and Exchange Commission Extends Order Against Pinnacle Investments for Further Compliance**

On 4 November 2024, the United States Securities and Exchange Commission vide its [order](https://www.sec.gov/files/litigation/admin/2024/34-101508.pdf) granted an extension of time for Pinnacle Investments, LLC, to comply with the Commission’s requirements regarding a Proposed Plan of Distribution. This extension, requested by the SEC’s Division of Enforcement, now sets a deadline of 1 July 2025 for the plan’s submission. The extension order underscores the SEC’s commitment to ensuring full regulatory compliance in the distribution of funds to affected investors.

The case against Pinnacle Investments began on 5 May 2023, when the US SEC issued an Order Instituting Administrative and Cease-and-Desist Proceedings against the firm. According to the US SEC, from January 2015 to October 2022, Pinnacle Investments, a registered investment adviser and broker-dealer, engaged in multiple regulatory violations. These violations included making false and misleading statements in US SEC filings concerning advisory client account reviews, failing to disclose conflicts of interest linked to an investment adviser representative’s activities with an affiliated fund, and inadequately implementing policies to prevent similar breaches. Furthermore, Pinnacle Investments failed to provide clients with required information regarding advisory personnel.

Following these findings, the US SEC ordered Pinnacle Investments to pay $488,717 in combined disgorgement, prejudgment interest, and civil penalties. Additionally, the SEC established a Fair Fund under the United States Sarbanes-Oxley Act of 2002 (Section 308(a)), pooling the collected funds with accrued interest to compensate investors harmed by Pinnacle’s actions. This fund, amounting to $495,087.68, was deposited in a Commission-designated account at the United States Department of the Treasury.

On 17 June 2024, the United States SEC issued an initial Extension Order, granting the Division of Enforcement until 4 November 2024 to submit the Proposed Plan of Distribution. However, due to delays in appointing administrators, finalising the distribution methodology, and completing the plan’s details, the Division of Enforcement requested further time. Consequently, the United States SEC has now extended the deadline to 1 July 2025.

The United States SEC identified multiple regulatory breaches by Pinnacle Investments, citing specific provisions under United States securities law:

Section 15(b) of the United States Securities Exchange Act of 1934: This section governs the registration, regulation, and oversight of broker-dealers. Pinnacle’s failure to ensure accurate reporting and transparency in client account reviews and conflict of interest disclosures contravened its obligations under this provision.

Sections 203(e) and 203(k) of the United States Investment Advisers Act of 1940: These sections require investment advisers to adopt adequate policies to prevent violations of the Advisers Act, particularly concerning client account reviews and disclosures of conflicts. Pinnacle’s lack of sufficient safeguards in these areas directly breached these requirements.

In its May 2023 order, the SEC imposed a combination of financial penalties on Pinnacle Investments, amounting to nearly half a million dollars. The penalties included:

* Disgorgement of $83,462.00.
* Prejudgment interest of $11,874.00.
* A civil money penalty of $393,381.00.

These penalties collectively formed the Fair Fund, intended for distribution to Pinnacle’s affected clients. Through this extension order, the United States SEC seeks to ensure that Pinnacle Investments fulfils its obligations, enabling the fair and timely distribution of funds to the investors impacted by its violations. The United States SEC’s extension order indicates the agency’s determination to see Pinnacle complete the plan for fund distribution, ensuring that the proposed methodology and processes meet the necessary regulatory standards to protect investor interests effectively.

(Source: <https://www.sec.gov/files/litigation/admin/2024/34-101508.pdf>)

**Monetary Authority of Singapore Expands Efforts to Advance Asset Tokenisation in Financial Services**

On 4 November 2024, the Monetary Authority of Singapore announced a strategic initiative to accelerate the commercialisation of asset tokenisation within the financial sector, with plans to establish foundational infrastructure, deepen liquidity, and develop industry frameworks. This move is part of Singapore’s broader effort to position itself as a leader in the digital finance space, with the initiative becoming effective immediately.

MAS’s announcement is backed by Project Guardian, an industry consortium involving more than 40 financial institutions, industry associations, and international policymakers. Since its inception, Project Guardian has conducted over 15 industry trials in six currencies, examining asset tokenisation’s role across multiple financial products. In light of these trials, MAS aims to create coordinated networks that connect various market participants and currencies, thereby enhancing capital raising, trading, and settlement processes for tokenised assets. Institutions such as Citi, HSBC, Schroders, Standard Chartered, and UOB have already formed the Guardian Wholesale Network to establish a multi-member network for commercialising their respective tokenisation projects.

Alongside these efforts, MAS has also progressed on the Global Layer One (**GL1**) initiative, launched in 2023 to develop essential digital infrastructure. This foundational platform aims to enable seamless cross-border transactions by aligning governance, risk management, and compliance controls for tokenised assets. Key global financial players—BNY Mellon, Citi, J.P. Morgan, MUFG, and Societe Generale-FORGE—are involved in defining these standards, with new participants like Euroclear and HSBC joining to support GL1’s scope expansion. This expanded scope seeks to ensure that tokenised assets can operate efficiently across different jurisdictions and systems by establishing standards for market infrastructure interoperability.

MAS is also working to facilitate broader acceptance of tokenisation through two new industry frameworks. The Guardian Fixed Income Framework (**GFIF**) offers a guide to tokenisation within debt capital markets, while the Guardian Funds Framework (**GFF**) provides recommendations for best practices in creating tokenised investment funds. These frameworks are intended to support institutions as they adopt tokenised solutions across various asset classes by standardising the processes and principles involved.

A significant component of MAS’s initiative is the introduction of a Common Settlement Facility for tokenised assets, including a test network for S$ wholesale central bank digital currency (**CBDC**). Known as the SGD Testnet, this facility will enable financial institutions to settle transactions in tokenised assets through a regulated digital currency. The test network includes features for programmability and interoperability, allowing it to connect with existing financial infrastructures. The initial phase involves institutions like DBS, OCBC, Standard Chartered, and UOB, which will test use cases in payments and securities settlements.

MAS’s Deputy Managing Director, Mr. Leong Sing Chiong, noted the strong industry interest in asset tokenisation, particularly in fixed income and foreign exchange. He emphasized MAS’s goal of establishing standards and frameworks that can facilitate the scalable deployment of tokenised financial products, contributing to the evolution of Singapore’s capital markets.

(Source: <https://www.mas.gov.sg/news/media-releases/2024/mas-announces-plans-to-support-commercialisation-of-asset-tokenisation>)

**Bank Indonesia and Monetary Authority of Singapore Extend Bilateral Financial Arrangement Until 2027**

On 4 November 2024, Bank Indonesia (**BI**) and the Monetary Authority of Singapore (**MAS**) announced an extension of their bilateral financial arrangement, now set to last until 1 November 2027. The extended three-year period, a shift from the previous one-year renewal cycle, shows the deep financial cooperation between the two central banks as they work together to support monetary and financial stability amid global economic uncertainties. This decision highlights the resilience of the financial partnership between Indonesia and Singapore, positioning both nations to better withstand potential macroeconomic challenges.

The bilateral arrangement consists of two core agreements. The first is a local currency bilateral swap agreement that enables the exchange of local currencies, allowing each central bank to access up to SGD9.5 billion or IDR100 trillion from the other. This arrangement provides both central banks with flexibility in managing local currency needs, bolstering financial stability by ensuring liquidity in times of market fluctuations.

The second part of the arrangement is a bilateral repo agreement valued at USD3 billion, allowing both central banks to conduct repurchase transactions. Through this agreement, each bank can obtain USD cash by using G3 Government Bonds (those issued by the U.S., Japan, or Eurozone nations) as collateral. This agreement strengthens both nations’ access to dollar liquidity, an essential asset in a globally interconnected economy, particularly during periods of economic stress when access to stable currency reserves becomes vital.

This extended arrangement is a testament to the strong relationship between BI and MAS and reflects their commitment to collaborative measures that enhance economic resilience. As global markets face volatility due to inflationary pressures, geopolitical issues, and shifting trade dynamics, such strategic partnerships are increasingly essential. By securing this three-year extension, both central banks demonstrate their dedication to financial stability, ensuring they are well-equipped to manage and mitigate regional and international financial risks.

The continuation of this bilateral arrangement aligns with a global trend of strengthened economic alliances as nations seek to shore up financial defenses. The BI-MAS enhances economic stability for Indonesia and Singapore.

(Source: <https://www.mas.gov.sg/news/media-releases/2024/bi-and-mas-further-extend-bilateral-financial-arrangement-to-1-november-2027>)

**Banque de France and Monetary Authority of Singapore Complete Post-Quantum Cryptography Experiment to Fortify Communication Security**

On 5 November 2024, the Banque de France and the Monetary Authority of Singapore announced the successful conclusion of a joint experiment in post-quantum cryptography. This experiment, conducted remotely using conventional Internet infrastructure is a advancement in safeguarding communication and data security against the emerging cybersecurity threats posed by quantum computing. The project aims to secure future communication channels against potential decryption capabilities of quantum technology, marking a vital step towards a “quantum-safe” global financial system.

The announcement emphasises the urgent need to adopt quantum-resistant cryptographic measures to protect sensitive information, particularly in digital communications. The experiment introduced the use of quantum-resistant cryptographic algorithms for signing and encrypting emails—a application due to the confidential nature of the information typically exchanged via email. By proving that these algorithms can operate effectively within existing communication technologies and standards, this initiative underscores both the feasibility and the practicality of quantum-safe solutions within widely-used applications.

A notable feature of the experiment was its hybrid approach, which integrated both existing cryptographic algorithms and post-quantum algorithms. This dual-layer approach ensures robust security while preserving compatibility with current systems, allowing for a smoother transition towards full quantum resilience. As part of the experiment, emails were protected using a combination of established cryptographic methods and new quantum-resistant algorithms to ensure that messages could withstand potential quantum-powered decryption attacks, even while being compatible with widely-adopted Internet protocols.

A detailed technical report on the experiment’s findings was released alongside the announcement. Key insights from the report include the successful use of the CRYSTALS-Dilithium and CRYSTALS-Kyber algorithms to sign and encrypt emails via Microsoft Outlook, enabled by a specialised post-quantum cryptography email plugin. The results highlight that while these algorithms offer strong quantum resistance, additional standardisation is required beyond the cryptographic libraries themselves. Specifically, public key infrastructure, digital certificates, key exchange protocols, and secure email applications also need to incorporate post-quantum cryptographic measures to ensure broad interoperability and adoption of quantum-safe practices.

Another important outcome of the report is the potential application of these quantum-resistant algorithms within payment networks. The study suggests that integrating post-quantum cryptographic methods into financial transaction systems could protect financial data from quantum computing threats, thereby ensuring long-term confidentiality and integrity of sensitive information in the financial sector.

The Banque de France and the Monetary Authority of Singapore announced their commitment to continuing this project, with the next phase of experimentation extending quantum-safe technology to cross-border financial transactions. In particular, the focus will be on implementing post-quantum cryptographic algorithms in payment networks, a critical component in global finance that requires robust protection against emerging cybersecurity risks. This continued collaboration highlights the two institutions’ proactive stance on future-proofing the security of international financial systems.

Mr Denis Beau, First Deputy Governor of the Banque de France, in her statement stated: “Although quantum computing opens up promising new prospects in various fields, it also brings a threat to cyber security, particularly in protecting our communications. In this context, Banque de France, in its role of central bank, has been anticipating and multiplying experiments in post-quantum cryptography with its partners since 2022. The results of this first cooperation with the Monetary Authority of Singapore in the field of post-quantum cryptography reassure us of our ability to make our inter-institutional communications resilient. We are pleased that this cooperation can continue into a second phase.”

Ms Jacqueline Loh, Deputy Managing Director of the Monetary Authority of Singapore, also stated : The looming threat of quantum-powered decryption is transforming cybersecurity strategies in financial services globally. The focus is now shifting towards cryptographic agility and ensuring systems can adapt by integrating with quantum-resistant algorithms. Financial institutions that prepare early for the quantum era will not only mitigate future risks but also position themselves to retain public trust in digital financial services. The collaborative efforts with Banque de France on post-quantum cryptography have been immensely valuable to MAS. We are thankful for this opportunity to work together on such a crucial initiative and look forward to continuing our shared journey in advancing quantum resilience.”

Through this joint experiment, the Banque de France and the Monetary Authority of Singapore aim for quantum-resistant security solutions to protect the global financial system.

(Source: <https://www.mas.gov.sg/news/media-releases/2024/bdf-and-mas-conduct-groundbreaking-post-quantum-cryptography-experiment>)

**OKX and Komainu Expand Partnership to Enhance Institutional Off-Exchange Custody for Digital Assets**

On 5 November 2024, OKX, a major global cryptocurrency exchange registered in the Republic of Seychelles, and Komainu, a regulated digital asset service provider and custodian headquartered in Jersey announced an extension of their partnership to provide institutional clients with an improved off-exchange custody solution. This partnership aims to strengthen the security and efficiency of digital asset trading for institutional investors, a group that increasingly seeks secure and compliant solutions in the growing virtual assets market.

In June 2023, OKX initially partnered with Komainu by joining Komainu’s collateral management platform, Komainu Connect. This collaboration allowed institutional clients to securely trade assets held in segregated custody with Komainu while utilising OKX’s trading infrastructure. This arrangement provided clients with an off-exchange settlement system that mitigates counterparty risk by storing assets with a regulated custodian, thus enabling trading activities while enhancing asset security.

The OKX and Komainu off-exchange custody solution include features aimed at institutional traders. The solution now supports both spot and derivatives transactions on OKX, catering to a broader range of trading needs. Additionally, clients benefit from automated profit and loss settlements between OKX and the collateral wallet held with Komainu, thereby optimising capital efficiency. Another feature is the 24/7 collateral adjustment capability, allowing clients to adjust collateral levels in real time directly from the Komainu portal. This functionality enhances liquidity management and trading efficiency, critical factors for institutional clients operating in dynamic market environments.

Other improvements include access to detailed transaction and settlement history through the Komainu portal, which provides institutional clients with a consolidated view of custody and collateral wallets. This consolidated reporting and transaction tracking support rigorous audit processes and provide greater transparency for compliance purposes.

By providing an institution-grade custody and trading infrastructure, this collaboration addresses one of the core challenges in the virtual asset industry: the need for secure and compliant solutions that mitigate counterparty and operational risks. OKX’s Chief Commercial Officer, Lennix Lai, stated that the partnership’s expanded services are tailored to meet institutional standards for security and efficiency, blending Komainu’s regulated custodial services with OKX’s extensive trading infrastructure. He emphasised that the partnership brings substantial support for clients executing both spot and derivatives transactions on the OKX platform.

Paul Frost-Smith, Co-Chief Executive Officer of Komainu, expressed enthusiasm for extending the off-exchange solution to a broader client base. He stated that the collaboration embodies Komainu’s mission of delivering secure and compliant digital asset services. Robert Johnson, Co-Chief Executive Officer at Komainu, added that leveraging Komainu’s custodial expertise with OKX’s trading capabilities enables the creation of a robust, efficient, and secure digital asset network that meets the demands of institutional clients for segregated, compliant, and frictionless trading.

OKX Institutional’s infrastructure, supported by its partnership with Komainu is offerings custody solution, which enables firms to execute trades and manage capital efficiently while ensuring that assets remain safely stored off-exchange with a regulated custodian. By offering secure, efficient, and compliant solutions, the collaboration contributes to building a resilient and trusted global virtual asset ecosystem, ultimately supporting the long-term growth of digital asset markets.

**WazirX Announces Fourth Townhall to Address Restructuring Initiatives and Launch New Rebalancing Tool**

On 06 November 2024, WazirX, an Indian cryptocurrency platform, announced a Townhall meeting for its creditors to introduce its latest restructuring tools. The session, conducted by WazirX’s restructuring team, including Zettai Pte. Ltd., will reveal a Rebalancing Calculator and Scheme Timeline Calculator, designed to empower creditors with greater insights into the platform’s restructuring efforts.

WazirX’s Fourth Townhall will take place from 5:30 to 6:30 PM IST (Indian Standard Time) or 8 PM to 9 PM SGT (Singapore Time) on 06 November 2024. Available on WazirX’s YouTube channel, the live session will include a presentation and a question-and-answer segment, allowing creditors to dial in for direct interactions with the Zettai restructuring team. This meeting forms part of WazirX’s commitment to transparency and active creditor engagement.

WazirX’s restructuring is conducted under Singapore’s Scheme of Arrangement, a framework that legally binds the agreement once creditor and court approvals are secured. The Singapore Court granted a moratorium until 26 January 2025 to provide Zettai time to finalise its restructuring proposal. The process incorporates stringent Anti-Money Laundering and Counter-Terrorism Financing compliance as the scheme advances.

On 15 October 2024, WazirX, held its first Committee of Creditors (**COC**) meeting to discuss ongoing restructuring plans following a cyberattack that resulted in significant financial shortfalls. The meeting, led by Zettai Pte. Ltd., the entity currently managing WazirX’s crypto assets, provided an overview of the restructuring process under a Singapore-based Scheme of Arrangement, which aims to recover and equitably distribute assets to creditors.

The COC was formed to represent creditor interests, offering input on restructuring preferences, though it has no direct decision-making power. WazirX is currently addressing a 45% asset deficit resulting from a cyberattack on 18 July 2024, with approximately USD 302 million in assets available against total claims of USD 546.5 million from crypto deposits. This shortfall is compounded by an unresolved ownership dispute between Zettai and Binance, leaving the contractual obligations toward users unclear. The Singapore Court has granted a four-month moratorium, effective until 26 January 2025, to allow Zettai time to develop and implement the restructuring plan.

The restructuring approach includes distributing liquid assets to creditors in the token denomination of their choice, while legal and recovery efforts pursue illiquid assets and stolen tokens. Additional recovery avenues are under exploration, including partnerships with “white knight” investors and the potential restart of the WazirX exchange to generate new revenue. A secondary debt market is also being considered, which would allow creditors early liquidity by selling claims before the full restructuring process is completed. WazirX plans to initiate creditor outreach to explain the restructuring timeline and ensure creditors understand the process, including meetings, proof of debt adjudication, and voting on the scheme. The aim is for the plan to be court-sanctioned by March 2025, following creditor approval.

During the COC meeting, Zettai provided a breakdown of assets, with USD 284 million categorized as liquid assets and another USD 17.7 million as illiquid assets subject to legal pursuit. An additional USD 12 million from liquid assets is allocated to fund the restructuring process. Zettai emphasized that creditors would benefit from asset valuation based on the latest market prices, providing potential gains in an improving market. Discussions with potential “white knight” investors are in progress, although specific terms remain confidential under non-disclosure agreements. Further updates are to follow on how Wazir X will pursue the restructuring.

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