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Singapore court rejects restructuring plan of WazirX parent Zettai

Zettai's failure to disclose a Panama-based subsidiary led Singapore High Court to reject its crypto restructuring plan, delaying payout of seized digital assets

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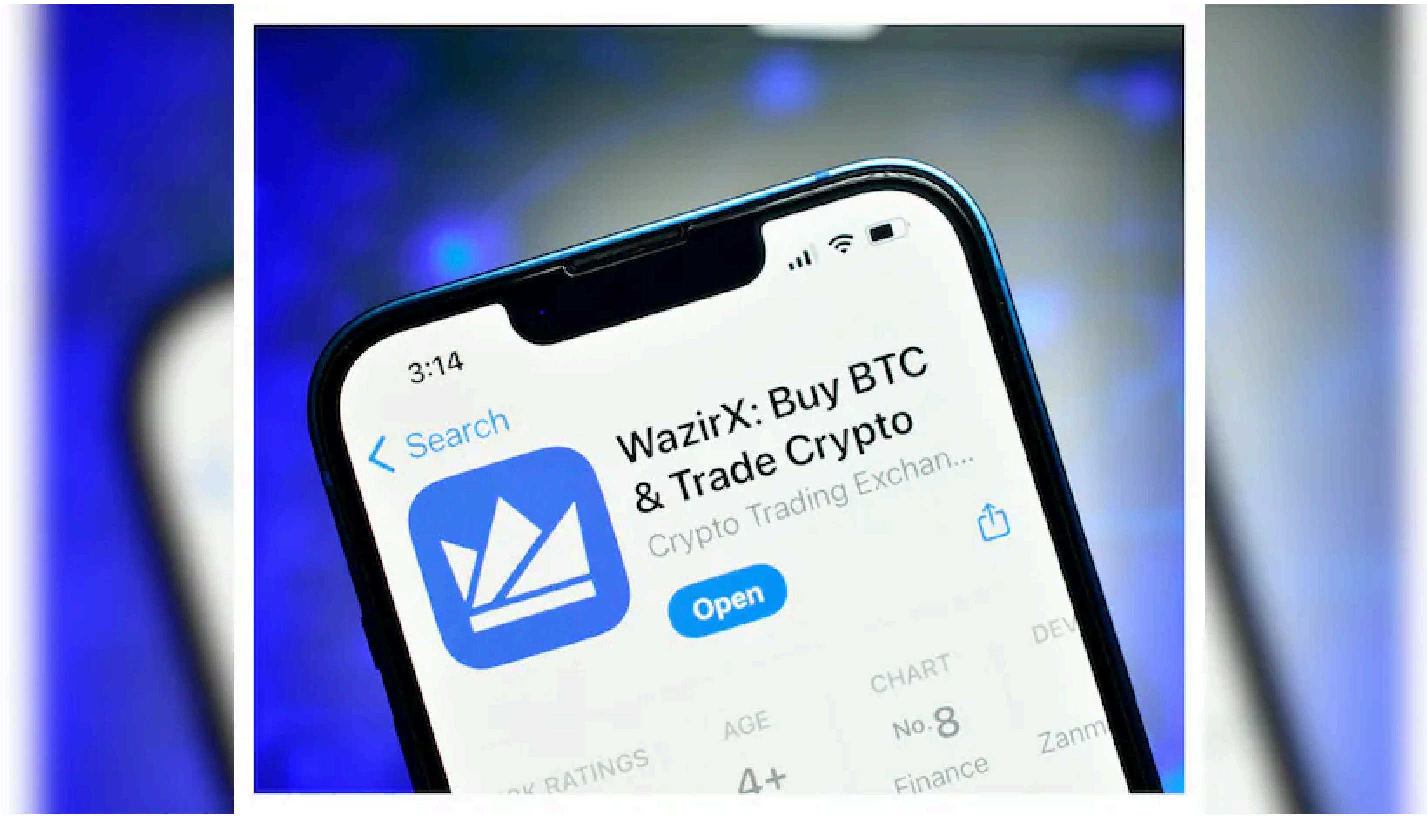

Zensui was incorporated on 10 March this year, according to an affidavit submitted to the Singapore Court and reviewed by Business Standard. Photo: Shutterstock

In a major blow to cryptocurrency traders on exchange platform WazirX, the Singapore High Court (HC) on Wednesday rejected the proposed restructuring plan of WazirX's parent company, nearly a year after an alleged cyber heist resulted in a loss of $235 million in virtual digital assets.

The dismissal of the parent firm Zettai's scheme of arrangement comes weeks after the company incorporated a subsidiary, Zensui Corporation, in Panama. The court's action was prompted by the company's failure to disclose these incorporation details during the restructuring process, according to people familiar with the matter.

Zensui was incorporated on March 10 this year, according to an affidavit submitted to the Singapore court and reviewed by Business Standard.
In addition, the company said that Zettai did not intend to obtain a digital token service provider (DTSP) licence in Singapore. It added that the parent or its Panama subsidiary did not intend to apply for registration with the Financial Intelligence Unit-India (FIU-IND).

"The Singapore HC issued an order declining to approve our proposed restructuring plan. While this outcome was not what we anticipated, we respect the court's decision and remain fully committed to complying with all legal and regulatory processes," WazirX said in a post on X.

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The cryptocurrency exchange may appeal against the latest order issued by the Singapore court, a person close to the development said.

According to Singaporean laws, DTSPs, subject to a licensing requirement in the country, are required to suspend or cease such business outside the island nation by June 30.
The setback to the company may further stretch the timeline for the distribution of available assets to its creditors.

"Zettai also failed to disclose the incorporation of its subsidiary, Zensui, which was incorporated on March 10, and an agreement to transfer cryptocurrency assets to Zensui — both of which were not communicated to users or the court," said Navodaya Singh Rajpurohit, legal partner, Coinque Consulting, and founder, Pravadati Legal.
He added that Zettai revealed it does not intend to register with FIU-IND, a prerequisite for lawfully distributing cryptocurrency in India.

"These omissions and regulatory non-compliances made the scheme unviable and lacking in transparency," he said.
In the affidavit, the company said that the Financial Services and Markets Act 2022 did not present any legal or practical impediment to Zettai effecting the first distribution or allowing withdrawals in accordance with the scheme of arrangement — one of the reasons it did not intend to apply for the DTSP licence.

“The Panama subsidiary was the custody of the cryptocurrency related to redistribution since the holding was with Singapore. It was an interim since the firm wanted to go to a jurisdiction where it could follow a framework and regulation after June 30,” a person close to the company said.
In April, Zettai said that 93.1 per cent of eligible voting creditors, representing 94.6 per cent in value of claims, voted in favour of the scheme, months after the company proposed restructuring in the Singapore HC.

In total, 141,476 scheme creditors, representing $195.65 million in approved claims, cast a vote. Of the total creditor base, 131,659 investors, representing $184.99 million, voted in favour of the scheme.

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