

Our ref: JEWOO\PERSONAL.HASGAR\01
Direct line: +65 6416 3345
Email: jean.woo@ashurst-adtlaw.com
C/O: Ms Jean Woo (Associate Director), Mr Patrick Phua
(Associate Director) and Mr Kai Loon Loh (Counsel)

ADTLaw LLC
12 Marina Boulevard
#24-01 Marina Bay
Financial Centre Tower 3
Singapore 018982

Tel (65) 6334 2880
Fax (65) 6334 6628

www.adtlawllc.com

08 August 2018

BY EMAIL AND POST

HK WaykiChain Technology Limited
10th floor, Ho King Commercial Centre
Fa Yuen Street
Mongkok
Hong Kong

waykichain@outlook.com
Attn: Mr Saijun Wang, Operation Manager

ashurst
ADTLaw

Dear Sir

WAYKICHAIN - SINGAPORE LAW ADVICE RE: TOKENS

1. INTRODUCTION AND QUALIFICATIONS

We understand that HK WaykiChain Technology Limited ("**HK WaykiChain Technology**" or "**you**"), a company registered in Hong Kong, has developed its own cryptocurrency, the WaykiChain Token (or "**WIC Token**") using blockchain technology and proposes to undertake an initial token offering ("**ICO**") via the offer of **WIC Tokens** (the "**Tokens**"). You have asked us to advise whether, under Singapore law, the Tokens will constitute "securities".

This advice is subject to the following qualifications:

- (a) This advice is confined to matters of Singapore law, as applied by the courts of Singapore, as at the date of this advice and is given on the basis that it will be governed by and construed in accordance with such laws. We have made no investigation of, and do not express or imply any views on the laws of any jurisdiction other than Singapore. We have assumed that there is nothing under the laws of any country other than Singapore which affects this advice.
- (b) The laws and regulations, or judicial or administrative interpretations of such laws and regulations, referred to in this advice may change at any time and from time to time. Any such changes, which may be prospective or retrospective, may affect the conclusions reached in this advice. We will not be responsible for carrying out any review or updating this advice for any subsequent changes to any relevant laws or

About Ashurst ADTLaw

Ashurst ADTLaw is a formal law alliance between Ashurst LLP and ADTLaw LLC and is licensed and regulated by the Legal Services Regulatory Authority of Singapore under number LSRA/FLA/2017/00001. Ashurst LLP is a limited liability partnership registered in England and Wales under number OC330252 and is part of the Ashurst Group. It is a law firm authorised and regulated by the Solicitors Regulation Authority of England and Wales under number 468653. A list of members of Ashurst LLP and their professional qualifications is open to inspection at its registered office: Broadwalk House, 5 Appold Street, London EC2A 2AG, United Kingdom. The term "partner" is used to refer to a member of Ashurst LLP or to an employee or consultant with equivalent standing and qualifications.

Ashurst LLP is registered in Singapore under the LLP Registration Act registration no. T07LL1574G. Further details about Ashurst can be found on its website at www.ashurst.com. ADTLaw LLC is a limited liability company registered in Singapore under number 201324473R. It is a law firm licensed and regulated by the Legal Services Regulatory Authority of Singapore under number LSRA/LLC/2013/00191.

Further details about ADTLaw can be found on its website at www.adtlawllc.com.

regulations, or judicial or administrative interpretations of such laws or regulations, unless we are specifically engaged by you to do so.

- (c) In providing this advice, we have assumed:
 - (i) the correctness of the factual matters referred to, and have made no investigation or verification of any factual matter(s) contained, in this advice;
 - (ii) we assume that there are no other facts that are relevant other than those which are stated in this advice; and
 - (iii) we do not express or imply any views on the correctness of any factual matter(s) referred to in this advice.
- (d) Except as set out in paragraph 3.1, we have not reviewed any web pages, agreements (or other documents) relating to this matter.
- (e) This advice is addressed to HK WaykiChain Technology solely for its benefit and it is not to be relied upon by any other person or for any other purpose or quoted or referred to in any public document or filed with any governmental agency or other person without our prior written consent, except that this advice may be shared with (but not relied on by) Huobi for the sole purpose of Huobi's evaluation of the listing of the Token on Huobi.pro.
- (f) The scope of our advice is limited to the matters set out expressly in this advice, and our advice must not be read as extending, by implication or otherwise, to any other matter. The views expressed in this advice are solely our views as to the issues expressly dealt with in this advice. Our advice does not constitute an assurance, guarantee or warranty that the Singapore regulatory authorities or Singapore Courts would necessarily agree with the views stated in this advice or that any challenge would not be made or would necessarily fail. This advice is not intended to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed by any applicable law.
- (g) Apart from the advice on financial regulatory issues arising from the question posed by you, we have not advised on any other areas of law - including tax law, privacy and data protection laws, defamation laws and issues relating to the licensing of information technology, intellectual property, money laundering and the combatting of terrorism.
- (h) We understand that HK WaykiChain Technology is not operating in a "high risk industry" (i.e. HK WaykiChain Technology is not operating a business that involves gambling, sports betting, futures and money lending) and accordingly we have not advised on any compliance issues that HK WaykiChain Technology may be subject to.

2. **SUMMARY OF OUR ADVICE**

In summary, our opinion is that:

- (a) under Singapore law, the Tokens are unlikely to constitute "securities" under the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"). Consequently, the Licensing Issue and the Prospectus Issue should not apply; and
- (b) in addition, the Tokens themselves and the Token circulation system (operated via the WIC Platform) are unlikely to be construed as a "stored value facility" or a

"payment system" under the Payment Systems (Oversight) Act, Chapter 22A of Singapore ("**PSOA**").

3. **DESCRIPTION OF WAYKICHAIN PROJECT AND TOKEN**

3.1 Based on the technical white paper dated 23 July 2018 and last reviewed by us on 25 July 2018 (which we understand is the latest version of the white paper), we understand HK WaykiChain Technology's business model to be as follows:

- (a) The WaykiChain platform (the "**WIC Platform**") is a public blockchain and open-source platform that uses smart contract technology, on which third parties can develop and operate various applications in a decentralised ecosystem. Although HK WaykiChain Technology currently focuses on the development of computer gaming applications, the WIC Platform and infrastructure can be used to develop other blockchain solutions. HK WaykiChain Technology intends to operate and release to the public its own application programming interface ("**API**").
- (b) WIC Token is a new cryptocurrency built on the WaykiChain blockchain. Developers can publish their smart contracts on the WaykiChain blockchain to conduct game developments and applications. Token holders (the "**Holders**") use Tokens to operate and use such applications, and execute smart contracts. Various use cases for the Tokens are further set out below.
- (c) The WIC Platform offers, *inter alia*, the following key features:
 - (i) Game applications built on the WIC Platform are decentralised and are not controlled by any party (including the game initiator). The executions of smart contracts are based on the fulfilment of pre-set conditions.
 - (ii) HK WaykiChain Technology has developed the first computer game application on the WIC Platform. The WaykiChain DApp launched on 13 May 2018 and has since been updated. HK WaykiChain Technology aims to sign agreements with other companies to develop and operate games on the WIC Platform. Currently, it has established one third party agreement.
 - (iii) Each game application functioning on the WIC Platform is triggered by an application initiator through smart contract technology. The contract specifies a validity period during which users can initiate the game application.
 - (iv) Game data is recorded in the distributed ledger and cannot be altered by any party, which prevents forgery of game results. Each application has its own secure sidechain protocol with an independent application data function.
 - (v) The 'block browser' is a data display interface that allows users to check game records, the progress of their smart contracts and active applications at any time.
 - (vi) Users can directly execute smart contracts and applications via a wallet function that is integrated as part of the WIC Platform. The wallet can only hold Tokens, and not any other cryptocurrency tokens or Fiat. HK WaykiChain Technology intends to develop Windows and mobile versions of the wallet function.
 - (vii) There is a voting mechanism and transaction fee for each processed transaction. It works in the following way:

- (A) The WIC Platform adopts a Delegated Proof of Stake Consensus mechanism based on eleven accounting nodes voted for by platform users. Voting can be done through the WaykiChain DApp voting channel using Tokens. These Tokens are 'locked' for the duration of the voting process, and cannot be used. Voting strength is determined by the number of Tokens each voter holds.
 - (B) These eleven nodes consecutively process transactions generated on the WIC Platform. Each time a transaction is processed on the blockchain, a transaction fee is paid and stored by the processing node. This transaction fee is distributed to voters according to certain rules.
 - (C) To obtain the transaction fee, the Holders will need to 'unlock' the Tokens that were used for voting using the WaykiChain DApp, whereupon the Holders will no longer be entitled to the distribution of transaction fees generated by that particular node.
 - (D) HK WaykiChain Technology will regularly educate platform users on the importance of voting for nodes based on the best interests of the ecosystem.
- (d) The total available number of Tokens to be issued is 210 million. The Tokens are not redeemable for Fiat, and do not grant Holders any rights (including revenue or future payment) in relation to the business of HK WaykiChain Technology, except to the extent the above transaction fee is relevant to the relevant Holder.
 - (e) HK WaykiChain Technology has not and will not create a secondary market or exchange for trading the Tokens, nor will HK WaykiChain Technology act as an exchange for the Tokens. To the extent a secondary market or exchange for trading Tokens does develop, it would be run and operated wholly independently of HK WaykiChain Technology, the sale of Tokens and the WIC Platform.
 - (f) HK WaykiChain Technology will not provide, or facilitate any third party to provide, any regulated financial services (e.g. dealing in securities, remittance) or illegal applications (e.g. gambling services) on the WIC Platform. No Fiat or money's worth is exchanged as a result of applications on the WIC Platform. HK WaykiChain Technology will actively monitor the WIC Platform and remove any applications that do not comply with applicable laws and regulations. In particular, HK WaykiChain Technology will remove any applications that are games of chance (as opposed to skill) or a mix of chance and skill, where participants may receive money or money's worth, regardless of whether such applications are offered remotely or otherwise.
 - (g) HK WaykiChain Technology will also develop corporate governance structures. It will implement stringent guidelines, which will be released to users, in relation to permitting any applications on the WIC Platform, and will use reasonable efforts to (as soon as practicable) remove any applications and users that infringe such guidelines.

Following from the above, we have assumed that the applications (including tokens) that are offered by third parties through the WIC Platform will not be illegal and the offerors of such applications (including tokens) will have complied with applicable laws, including applicable licensing, approval and notification requirements.

4. **PROSPECTUS AND LICENSING ISSUES SURROUNDING AN INITIAL COIN OFFERING**

4.1 A typical ICO raises two potential regulatory issues under the SFA:

- (a) prospectus registration requirements for an offer of securities (to persons in Singapore) (the "**Prospectus Issue**"); and
- (b) licensing issues for dealing in securities (the "**Licensing Issue**").

Whether the Prospectus Issue and the Licensing Issue will apply to the ICO will depend on whether the Token constitutes a "security" under the SFA.

Prospectus Issue

4.2 *Prima facie*, an offer of securities to persons in Singapore triggers prospectus registration requirements under the SFA. The SFA does provide for exemptions from prospectus registration requirements but these exemptions are not likely to be practical in the context of an ICO. We set out below some of the main exemptions and an explanation on the difficulties in using such prospectus registration exemptions:

- (a) **Small Offerings:** The law provides for a small offering exemption. However, the exemption is fairly restrictive in nature in that the total amount raised by the person from such offers within any period of 12 months cannot exceed \$5 million (or its equivalent in a foreign currency). In addition, there are restrictions on advertising the offer which tend to be inconsistent with a typical ICO.
- (b) **Private Placement:** The prospectus registration requirements do not apply where offers of securities are made to no more than 50 persons (including persons to whom offering materials relating to the securities are distributed but who do not subscribe for the securities) in any 12 month offer period. In practice, this exemption is restrictive, since "closely related offers" to persons in Singapore within a 12 month period in reliance on the private placement exemption must be aggregated in determining the 50 person limit. In addition, there are restrictions on advertising the offer and the offer may only be made to 50 persons, something that is not consistent with a typical ICO where the offering is made to the world at large.
- (c) **Institutional Investor Offering:** The SFA provides that the prospectus registration requirements do not apply where the offer of securities is made only to institutional investors (i.e. licensed financial institutions, the Government, statutory boards, pension funds and collective investment schemes). This is not consistent with a typical ICO where the offering is made to the world at large.
- (d) **Accredited Investor Offering:** The SFA provides that the prospectus registration requirements do not apply where interests in securities are offered to *inter alia*, "accredited investors" (i.e. sophisticated investors) or persons who acquire such securities as principal for a minimum consideration per transaction of not less than S\$200,000 or its equivalent in a foreign currency. This is not consistent with a typical ICO where the offering is made to the world at large and the minimum consideration per transaction is not typically of a sum that is S\$200,000 or more. In addition, there are restrictions on advertising the offer which tend to be inconsistent with a typical ICO.

4.3 If the Tokens do not constitute "securities" under the SFA and/or if the Tokens are not offered to persons in Singapore, the Prospectus Issue will not apply.

Licensing Issue

- 4.4 Under the SFA, no person shall, whether as principal or agent, carry on business in any regulated activity or hold himself out as carrying on such business unless he is the holder of a capital markets services licence ("**CMSL**") for that regulated activity (e.g. "dealing in securities"). "Dealing in securities" means (whether as principal or agent) making or offering to make with any person, or inducing or attempting to induce any person to enter into or to offer to enter into any agreement for or with a view to acquiring, disposing of, subscribing for, or underwriting securities. The undertaking of the ICO could be construed as "dealing in securities" (assuming that the Tokens constitute "securities" under the SFA), triggering licensing requirements under the SFA.
- 4.5 The Second Schedule of the Securities and Futures (Licensing and Conduct of Business) Regulations provides for certain licensing exemptions for "dealing in securities". However, we believe that these exemptions are not likely to be practical in the context of an ICO. There is a licensing exemption if HK WaykiChain Technology carries on the business of "dealing in securities" for its own account or an account belonging to and maintained wholly for the benefit of a related corporation, with or through:
- (a) the holder of a capital markets services licence to deal in securities,
 - (b) a licensed bank in Singapore,
 - (c) an approved merchant bank in Singapore,
 - (d) a bank licensed, registered, approved or otherwise regulated under the laws of a jurisdiction outside Singapore to conduct banking business, but only in relation to securities that are not quoted on a securities exchange, or
 - (e) a corporation or firm licensed or registered to carry on business in dealing in securities under the laws of a jurisdiction outside Singapore, but only in relation to securities that are not quoted on a securities exchange.

We believe that in the context of an ICO, HK WaykiChain Technology is unlikely to engage a financial institution to handle its ICO for reasons pertaining to cost.

5. **CATEGORISATION OF A TOKEN**

- 5.1 Following on from the analysis of the Licensing Issue, consideration would need to be made as to whether a Token would be construed as a "security" under the SFA.
- 5.2 Prior to proceeding with the analysis, we note that in March 2014, the Monetary Authority of Singapore ("**MAS**") said that it would regulate virtual currency intermediaries in Singapore to address potential money laundering and terrorist financing (ML/TF) risks. MAS subsequently said that it would be working on the proposed regulations to be introduced for virtual currency intermediaries operating in Singapore. The proposed regulations would be available at the MAS website for public consultation when ready. More significantly, MAS said that, *"Singapore, like most jurisdictions, does not regulate virtual currencies per se, as these are not considered as securities or legal tender. MAS' regulation of virtual currency intermediaries pertains specifically to the money laundering and terrorist financing risks they pose. It does not extend to the safety and soundness of virtual currency intermediaries nor the proper functioning of virtual currency transactions. Investors in virtual currencies will not have the safeguards that investors in securities enjoy under the Securities and Futures Act and the Financial Advisers Act"*.
- 5.3 We have discussed the above statement with MAS on a "no-names" basis and MAS has said that the statement referred to virtual currencies that do not have similar

characteristics as securities. These virtual currencies could be used to pay for goods and services but would not have additional rights attached to them. Where additional rights are attached to the Token, there is a risk that the Token may be construed as a "security" under the SFA. On 1 August 2017, MAS released a statement in which it stated that, *"the offer or issue of digital tokens in Singapore will be regulated by MAS if the digital tokens constitute products regulated under the SFA....MAS' position of not regulating virtual currencies is similar to that of most jurisdictions. However, MAS has observed that the function of digital tokens has evolved beyond just being a virtual currency. For example, digital tokens may represent ownership or a security interest over an issuer's assets or property. Such tokens may therefore be considered an offer of shares or units in a collective investment scheme under the SFA. Digital tokens may also represent a debt owed by an issuer and be considered a debenture under the SFA. Where digital tokens fall within the definition of securities in the SFA, issuers of such tokens would be required to lodge and register a prospectus with MAS prior to the offer of such tokens, unless exempted. Issuers or intermediaries of such tokens would also be subject to licensing requirements under the SFA and Financial Advisers Act (Cap. 110), unless exempted, and the applicable requirements on anti-money laundering and countering the financing of terrorism. In addition, platforms facilitating secondary trading of such tokens would also have to be approved or recognised by MAS as an approved exchange or recognised market operator respectively under the SFA"*. This position is reflected in MAS' "A Guide to Digital Token Offerings" issued on 14 November 2017.

5.4 There are two definitions of the term "securities" under the SFA. For the purposes of the Licensing Issue, the term "securities" means:

- (a) debentures or stocks issued or proposed to be issued by a government;
- (b) debentures (includes any debenture stock, bond, note and any other debt securities issued by a corporation or any other entity, whether constituting a charge or not, on the assets of the issuer), bonds (includes notes, bonds and Treasury Bills, as well as options in respect of these instruments and convertible bonds), stocks or shares issued or proposed to be issued by a corporation or body unincorporate;
- (c) any right, option or derivative in respect of any such debentures, stocks or shares;
- (d) any right under a contract for differences or under any other contract the purpose or pretended purpose of which is to secure a profit or avoid a loss by reference to fluctuations in:
 - (i) the value or price of any such debentures, stocks or shares,
 - (ii) the value or price of any group of any such debentures, stocks or shares, or
 - (iii) an index of any such debentures, stocks or shares;
- (e) any unit in a collective investment scheme;
- (f) any unit in a business trust;
- (g) any derivative of a unit in a business trust; or
- (h) such other product or class of products as MAS may prescribe.

The term "securities" excludes futures contracts, bills of exchange, promissory notes, certificates of deposit issued by a bank or finance company.

- 5.5 For the purposes of the Prospectus Issue, the term "securities" means:
- (a) shares or units of shares (being any right or interest, whether legal or equitable, in the share, and includes any option to acquire any such right or interest in the share) of a corporation;
 - (b) debentures (includes debenture stock, bonds, notes and any other debt securities issued by a corporation or any other entity, whether or not constituting a charge on the assets of the issuer but does not include (i) a cheque, letter of credit, order for the payment of money or bill of exchange, (ii) a promissory note having a face value of not less than \$100,000 and having a maturity period of not more than 12 months) or units of debentures (being any right or interest, whether legal or equitable, in the debenture, and includes any option to acquire any such right or interest in the debenture) of an entity;
 - (c) interests in a limited partnership or limited liability partnership formed in Singapore or elsewhere; or
 - (d) such other product or class of products as MAS may prescribe.
- 5.6 Notwithstanding the slightly different definitions of the term "securities" under the SFA, we would consider the most expansive (combined) definition of the term in determining whether the Token should be categorised as a "security".
- 5.7 Extrapolating from the respective definitions of "securities" set out above, we have identified characteristics that the various financial products that form the definitions of "securities" exhibit. Assuming that the Token does not fall within any of the financial instruments set out in the definitions of securities, we believe that a Token with one or more of the following characteristics (which is not exhaustive) nonetheless runs the risk of being construed as a "security" under the SFA:
- (a) the Token provides the Holder with ownership interest in a legal entity such as a private limited company or an unincorporated body such as a limited partnership;
 - (b) the Token provides the Holder with an interest in underlying securities (including equity, shares or debentures);
 - (c) the Token provides the Holder with a direct or indirect exposure to underlying profits and/or losses, or assets and/or liabilities;
 - (d) the Token provides the Holder with a payment of interest;
 - (e) HK WaykiChain Technology has a legal obligation to repay the Holder for his purchase of the Token or the Holder has a legal right to sell the Token to HK WaykiChain Technology, such that the Holder may potentially receive a "financial benefit"; and
 - (f) the Token has a feature that allows the Holder to convert a Token into another token with characteristics set out above or otherwise grants the Holder an option to purchase securities.
- 5.8 In relation to paragraph 5.7(e), we note that MAS issued a Consultation Paper on Proposals to Enhance Regulatory Safeguards for Investors in the Capital Markets (July 2014). MAS said that it, *"has noted a number of non-conventional products and schemes being offered to consumers as alternative investments. Some of these products exhibit essentially the same characteristics as regulated capital markets products, but are deliberately structured in a way that takes them outside the regulatory perimeter of the*

SFA and FAA. Accordingly, MAS is proposing to subject the offer and distribution of products and schemes that exhibit similar features as regulated capital markets products to the same treatment under the SFA and FAA".

- 5.9 In the context of considering buy-back arrangements involving gold, silver or platinum, MAS has said that, *"If in essence the agreement between the parties is that funds made available will be repaid with interest at the end of the entire arrangement, and the transfer of ownership of the investment precious metal under the arrangement is for security and not consumption purposes, the arrangement is in effect a debt obligation and the interests of the parties regarded as that of an "investor" and securities "issuer"....Such transactions essentially pose to "investors" risks that are similar to those in a collateralised debt obligation, where the "investor" takes on the credit risk of the "issuer". Consequently, such "issuers" should similarly be subject to regulation. MAS therefore proposes to prescribe and regulate as debentures arrangements which involve:*
- (a) Party A purchasing precious metals of gold, silver or platinum ("asset") from Party B for an agreed sum of money or money's worth;
 - (b) Party B being under an obligation to purchase the asset back from Party A at a future time; and
 - (c) The purpose or effect of the arrangement is to enable Party A to receive a financial benefit from Party B."
- 5.10 MAS has said that the right to receive a "financial benefit" must be agreed upon at the point in time that the parties enter into the agreement although the actual amount received may vary according to pre-determined factors (including where the pre-determined factors move against Party A such that at the end of the transaction, Party A is in a net financial loss position). We would adopt a similar position when considering whether the Tokens would constitute "securities" under the SFA.
- 5.11 Following on from the above, we believe that the risk that the Tokens would constitute "securities" under the SFA will be low on the basis that:
- (a) the Tokens are essentially to be "consumed" by the Holder by way of being used to access and operate applications that function on the WIC Platform;
 - (b) the Tokens do not fall squarely within any of the financial instruments set out in the definitions of securities under the SFA; and
 - (c) the Tokens exhibit none of the characteristics set out in paragraph 5.7.

Following on from the above, on the basis that the Tokens would not constitute "securities" under the SFA, the Licensing Issue and the Prospectus Issue should not apply given the circumstances described above.

6. **PRACTICAL ISSUES THAT MAY ARISE IN AN ICO**

Stored Value Facility

- 6.1 There is a risk that the Tokens may be construed as a "stored value facility" ("**SVF**") under the PSOA. While there are no licensing requirements that are triggered (save for an approval requirement discussed below), categorisation as a "stored value facility" under the PSOA could trigger practical difficulties in having to conduct comprehensive anti-money laundering ("**AML**") and countering the financing of terrorism ("**CFT**") checks. The conduct of such checks may not be practicable in the context of an ICO.

- 6.2 Under the PSOA, "stored value", in relation to a stored value facility, means, *"the sum of money that - (a) has been paid in advance for goods or services intended to be purchased through the use of the stored value facility, (b) is available for use from time to time for making payment under the terms and conditions applying to the stored value facility and (c) is held by the holder of the stored value facility"*. The term "stored value facility" is in turn defined as, *"(i) a facility (other than cash), whether in physical or electronic form, which is purchased or otherwise acquired by a person (i.e. a user) to be used as a means of making payment for goods or services up to the amount of the stored value that is available for use under the terms and conditions applying to the facility, and payment for the goods or services is made by the holder of the stored value in respect of the facility (rather than by the user) or (ii) all the facilities referred to in (i) provided under the same terms and conditions"*. The "holder" in relation to a stored value facility, means *"the person who holds the stored value and makes payment for goods or services referred to in the definition of "stored value facility"*".
- 6.3 If the Tokens are construed as a SVF, HK WaykiChain Technology may need to comply with certain parts of the PSOA and its related regulations that govern the issuance and management of SVFs. While it is possible that the Tokens may be construed as SVF, we believe that the better view is that they should not. If fiat money is paid by the holders, this is for the purchase of the Token itself and the Token does not purport to store the value of the fiat money paid, for the subsequent purchase of goods and services. The value of the Token is not fixed to Fiat and may fluctuate according to market conditions. We note that MAS has recently consulted on the Payment Services Bill and under the bill, facilities with similar characteristics as the Token will not be regulated as "account issuance services" (the proposed terminology that is meant to supersede "SVFs"). This may suggest that as a policy position, MAS does not intend to regulate tokens with characteristics similar to the Token (although virtual currency exchanges may be regulated).

Payment System

- 6.4 The PSOA grants MAS certain powers in relation to "payment systems". A "payment system" is defined to mean "a funds transfer system or other system that facilitates the circulation of money, and includes any instruments and procedures that relate to the system". Prima facie, HK WaykiChain Technology facilitating the usage and/or transfer of the Tokens to pay for certain activities and applications on the platform may be regarded as a "payment system" under the PSOA. The PSOA grants MAS the power to designate certain payment systems as "designated payment systems". MAS may designate a "payment system" as a "designated Payment System" if a disruption in the operations of the payment system could trigger, cause or transmit further disruption to participants or systemic disruption to the financial system of Singapore, a disruption in the operations of the payment system could affect public confidence in payment systems or the financial system of Singapore or it is otherwise in the interests of the public to do so. MAS has oversight powers over "designated payment systems" and such systems have to comply with certain on-going obligations. Examples of "designated payment systems" are the SGD cheque clearing system and USD cheque clearing system, Interbank GIRO and NETS EFTPOS system (a debit card system). Based on the above, we are of the view that it is unlikely that the Tokens proposed to be run by HK WaykiChain Technology will be designated as a "designated payment system".
- 6.5 Even though it is unlikely that the Token circulation system (i.e. the WIC Platform) will be designated a "designated payment system", if the Token circulation system constitutes a "payment system" under the PSOA, MAS still has certain information gathering powers in relation to payment systems. For example, MAS may, by notice require any operator of a payment system to provide to MAS, within a reasonable period specified in the notice, all such information relating to the payment system as may be required by MAS. MAS may also require operators of payment systems to provide, whether in the form of a return to

be provided on a periodic basis or otherwise information relating to the operation of the payment system, the pricing of, or other form of consideration for, the services offered by the payment system and information relating to the participation or other involvement of that person in the payment system (as well as such other information as MAS may require for the purposes of the PSOA).

- 6.6 On the basis that the Tokens are not Fiat, we believe that the above payment system requirements will probably not apply to the Token circulation system. This is on the basis that a payment system is defined as a system that facilitates the circulation of "money".

Yours sincerely,

ADTLaw LLC

ADTLaw LLC