Market misconduct

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Part 12 of the Securities and Futures Act prohibits false trading and market rigging (s 197), market manipulation (s 198) and false or misleading statements (s 199). It further prohibits fraudulently inducing persons to deal (s 200), employment of manipulative and deceptive devices (s 201) and insider trading (ss 218–219). Criminal penalties run to seven years' imprisonment and a S$ 250,000 fine, and MAS may instead seek a civil penalty of up to three times the profit gained or loss avoided, with a floor of S$ 50,000 for individuals.[1]

The limit of Part 12 is its scope. It applies to capital markets products and to organised markets. A memecoin that is a pure digital payment token is neither, so wash trading on a token exchange, pump-and-dump schemes run through Telegram groups and insider dealing ahead of an exchange listing are not SFA market misconduct. They may be cheating under the Penal Code if a victim was deceived into buying, or a breach of the business-conduct conditions of the exchange's licence, but the market-abuse regime as such does not reach them. Switzerland has the same gap: Arts 142 and 143 FinMIA apply to securities admitted to trading on a Swiss venue (see Part E, Chapter X). Both hubs therefore rely on licence conditions and general fraud law to police token markets, a choice both regulators have described as deliberate.

Singapore perspective

A Singapore-licensed exchange that lists a token on which a market maker has agreed to "support the price" should check three things. Is the token a capital markets product, in which case Part 12 applies directly? Does the market-making agreement contemplate conduct that would be false trading if the token were a security, in which case the exchange's licence conditions and MAS's fit-and-proper expectations are engaged? And do the exchange's own terms promise customers a fair and orderly market, in which case a manipulated listing may be a misrepresentation to every customer who traded? The absence of a statutory market-abuse offence for pure payment tokens is no safe harbour.

Notes

1. Securities and Futures Act 2001, ss 197–201, 204, 218–219 and 232, Singapore Statutes Online.

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