Perpetual futures and derivatives

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Perpetual futures (perps) are the dominant derivative in crypto markets. A perp is a futures contract with no expiry, kept aligned to the spot price by periodic funding payments between longs and shorts. Decentralised perp exchanges such as dYdX, GMX and Hyperliquid hold collateral in smart contracts and settle positions against oracle prices. Margin multiples of fifty times and more are routinely available.

A perp is a derivative under both Swiss and Singapore law. In Switzerland it is a derivative under Art. 2 lit. c FinMIA and, if standardised and offered to the public, a financial instrument under FinSA. In Singapore it is a derivatives contract and a capital markets product under the SFA, whose offer to retail investors requires a CMS licence and whose exchange requires approval as an approved exchange or recognised market operator.[1] A decentralised perp exchange with an identifiable operator is operating a derivatives market without a licence in both hubs. One without an identifiable operator raises the same question as the AMM. MAS has been explicit that it regards margined crypto derivatives as unsuitable for retail customers and has prohibited DPT licensees from offering them to retail since 2024. A Singapore-based team operating a perp front-end for retail users would be a target for enforcement.

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Notes

1. Financial Market Infrastructure Act, SR 958.1, Art. 2 lit. c (derivatives); Securities and Futures Act 2001 (Singapore), s. 2(1), definitions of "derivatives contract" and "capital markets products", and Part 2 on markets. Part E, Chapter V and Part K, Chapter IV. ↩

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