Phase three: the crash and the pivot, 2022–2024

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The year 2022 is the hinge of the story. Between May and November a sequence of failures destroyed roughly two trillion dollars of market value and the credibility of the "crypto hub" positioning that both countries had adopted. The failures had a Singapore address more often than a Swiss one, which explains why the Singapore response was sharper.

Terra and its UST stablecoin collapsed in May 2022. Terraform Labs was a Singapore company and its founder lived in Singapore until he left for Serbia and was arrested in Montenegro in March 2023.[1] Three Arrows Capital, a Singapore-registered fund manager whose principals had moved its fund management to the British Virgin Islands, failed in June 2022 with liabilities of several billion dollars. MAS reprimanded it on 30 June for providing false information and exceeding its registered threshold.[2] Zipmex, a Singapore-headquartered exchange, applied for moratoria under s. 64 of the Insolvency, Restructuring and Dissolution Act in July 2022. Hodlnaut and Vauld, both Singapore lenders, froze withdrawals in July and August and entered judicial management or moratorium proceedings. FTX, whose Asian operations were run partly from Singapore and which had attracted an investment from Temasek, failed in November.

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The Singapore response unfolded in three steps. The doctrinal step was Ravi Menon's speech of 29 August 2022, which separated digital-asset innovation from cryptocurrency speculation and committed MAS to the former.[3] The consultative step came in October 2022 with two consultation papers, one on consumer-access and business-conduct measures for DPT service providers and one on stablecoins, whose outcomes were published in 2023 and implemented in 2024 and 2025. The legislative step was the Financial Services and Markets Act 2022, already passed in April 2022, whose Part 9 on digital token service providers lay dormant until MAS brought it into force in June 2025. The failures also produced the case law. *ByBit Fintech Ltd v Ho Kai Xin* [2023] SGHC 199 decided that USDT is property. *CLM v CLN* [2022] SGHC 46 granted the first proprietary injunction over stolen crypto. The insolvency courts worked through the question whether platform customers were beneficiaries or creditors in Zipmex, Hodlnaut and Vauld.[4]

Switzerland's 2022 was quieter, because the failures were elsewhere, but the following two years brought its own. Credit Suisse was absorbed by UBS in March 2023, an event unrelated to digital assets that nonetheless changed the political climate for every bank-related licence and prompted the Banking Act review that Part C, Chapter VI describes. FINMA's staking guidance of December 2023 told custodians that staked assets might fall outside the segregation protection of the DEBA and that FINMA would treat them as protected only until legislation or a court decided otherwise.[5] FlowBank, a Geneva online bank with a crypto offering, had its licence withdrawn and was placed into bankruptcy on 13 June 2024 because it no longer met its minimum capital requirements. The liquidation became the first practical test of how Swiss custody segregation works for digital assets in a bank insolvency.[6] FINMA's stablecoin guidance of July 2024 warned of the risks that bank default guarantees for stablecoin issuers created for the guaranteeing banks and required identification of every holder.[7] Part H, Chapter VII uses FlowBank as its case study.

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Notes

1. Terraform Labs Pte Ltd, incorporated in Singapore in 2018; the Singapore Police Force confirmed in March 2023 that it was investigating Terraform Labs; Do Kwon was arrested in Podgorica on 23 March 2023. ↩
2. MAS, media release of 30 June 2022 reprimanding Three Arrows Capital Pte Ltd; the fund was placed into liquidation by the BVI court on 27 June 2022 and the liquidation was recognised in Singapore under the UNCITRAL Model Law. ↩
3. Ravi Menon, "Yes to digital asset innovation, no to cryptocurrency speculation", 29 August 2022. ↩
4. ByBit Fintech Ltd v Ho Kai Xin and others, General Division of the High Court, 25 July 2023, holding that USDT is a thing in action capable of being held on trust. ↩
5. FINMA Guidance 08/2023 of 20 December 2023. ↩
6. FINMA, media release of 13 June 2024 "FINMA opens bankruptcy proceedings against FlowBank SA", stating that the bank no longer held the minimum capital required, that FINMA had well-founded concerns that it was over-indebted and that client custody accounts would be segregated from the estate and repaid. ↩
7. FINMA Guidance 06/2024 of 26 July 2024. ↩

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