Insolvency and the customer's claim: the cases

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Zipmex: the moratorium

Zipmex operated a retail exchange from Singapore with licensed subsidiaries in Thailand and Indonesia and a customer base of close to 70,000. Its "ZipUp+" yield product had deployed customer assets to Babel Finance and Celsius, both of which failed in June 2022, leaving a shortfall said to exceed US$ 50 million. Five group companies applied for moratoria under s 64 in late July 2022. Aedit Abdullah J heard the applications on 15 August 2022 and granted them two days later.[1]

Three points in the judgment matter beyond Zipmex. First, the court held that Singapore was the centre of main interests of each entity, including the Thai and Indonesian subsidiaries, because the group's hub operations, management and the hot wallet hosted by the Singapore holding company were there. Substantial connection under s 246 was established independently on the same facts. The court suggested that these matters now go to jurisdiction instead of discretion.[2] Second, the court granted roughly three months instead of the five requested, so that it could monitor progress, and made the moratoria apply to acts within Singapore or the court's jurisdiction wherever those acts occurred.[3] Third, the court set expectations for creditor engagement in a mass-retail insolvency. The applicants were to hold town halls, provide translations, explain the moratorium and its timelines, and consider creditor committees and independent advisers.[4]

The second judgment, in December 2022, extended the moratoria to 2 April 2023 but delivered a rebuke. Zipmex Indonesia had unfrozen its wallets under Indonesian regulatory pressure without telling the court, which had been deprived of the chance to consider the effect on the other moratoria. The judge also declined to approve an "administrative convenience class" for customers with claims of US$ 5,000 or less before any scheme application had been made.[5] The court did not decide where the customers' crypto assets were located or what their legal nature was, leaving both questions for another day.[6] Zipmex's scheme, under which customers released claims to assets deployed in the yield product in exchange for access to their trading-wallet assets and a share of recoveries, was subsequently pursued with an investor.

Hodlnaut: interim judicial management and the crypto debt

Hodlnaut ran a yield platform under which customers deposited crypto assets in return for interest. It had lost heavily on exposure to Terra's UST and halted withdrawals in August 2022. It was placed under interim judicial management by order of 29 August 2022. The interim judicial managers remained in office for over a year while directors and a creditor fought over the company's future.[7] On

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24 April 2023 the court directed the interim judicial managers to present a winding-up application. A director sought a moratorium to pursue a non-binding offer from an exchange operator, which the court adjourned to let the interim judicial managers consider. The winding-up application was heard on 16 October 2023 over the directors' opposition.

The judgment is the most important Singapore decision on the customer's claim. The directors argued that obligations to return crypto assets were not "debts", so the company could not be shown to be unable to pay its debts. They relied on the definition of money in the Payment Services Act 2019 and on an unreported decision in *Algorand Foundation v Three Arrows Capital*, where a winding-up application based on a statutory demand expressed in cryptocurrency had failed. Abdullah J rejected the argument. Crypto obligations are debts for the purpose of the cash-flow insolvency test in s 125(1)(e) read with s 125(2)(c). The provision for a statutory demand in s 125(2)(a) concerns a demand for a sum of money and does not limit the broader test. Crypto holdings are treated like other assets such as wine or precious metals, and their valuation is a matter of evidence.[8] The court expressly declined to decide whether cryptocurrency is "money" in a general sense.

Two further holdings matter. A halt on withdrawals does not extinguish the company's liability to customers or necessarily stop liability from accruing, although suitably drafted terms might have a different effect. Hodlnaut's terms did not.[9] And the court refused to delay winding up for a restructuring that the major creditors did not support and that was very unlikely to succeed. Net liabilities were about S$ 92 million as of July 2023. The interim judicial managers were appointed liquidators.[10]

Three Arrows: recognition and the trust claim

Three Arrows Capital was a BVI-incorporated fund managed from Singapore. It was placed in liquidation by the BVI court on 27 June 2022. The liquidators applied in Singapore for recognition under the Model Law, which was granted on 22 August 2022 as a foreign main proceeding, with the Singapore court accepting that the centre of main interests was in the BVI despite the Singapore management.[11] The recognition gave the liquidators standing to pursue assets and information in Singapore and stayed proceedings against the company.

The sequel concerned a trust claim. Cheong Jun Yoong had managed a separate "DeFiance Capital" portfolio within Three Arrows and claimed that its assets were held on trust for him and his investors. He obtained permission to sue in Singapore and served the liquidators in the BVI. The liquidators applied to set aside service, arguing that the BVI was the appropriate forum because the same claim was being litigated in the BVI insolvency. Chua Lee Ming J dismissed the application in January 2024, holding among other things that the crypto assets were located in Singapore because their controllers were resident there.[12] The Appellate Division refused permission to appeal. It held that concurrent insolvency proceedings abroad do not preclude civil proceedings in Singapore. Forum conveniens, it said, is "not a scientific exercise but one of judgment".[13] The case shows that a trust claimant can litigate in Singapore against a foreign liquidator even after recognition, because the Model Law stay

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protects the company against creditors and does not bar claims that assets never belonged to the company.

Babel Finance: substantial connection and pooling

Babel Finance was a Hong Kong-based lender with a Cayman holding company and Singapore subsidiaries. Five group entities, including a Hong Kong company not owned by the holding company, applied for moratoria in March 2023 to pursue a scheme under which creditor claims would be converted into tokens issued by the group. Abdullah J granted roughly three months. The court found a substantial connection with Singapore for the foreign applicants because they carried on business there, had clients and creditors there, and were run at least partly by a Singapore-based team. It did not decide the COMI question or the lex situs of the crypto assets.[14] The court indicated, as a preliminary view, that a scheme based on substantive consolidation or pooling of the group's assets and liabilities was not inappropriate in principle where funds had been commingled and individual attribution would be impractical.[15] It also sealed the creditor lists to prevent a "contagion effect" on customers whose exposure would otherwise become public.[16]

Vauld

Vauld, operated through Defi Payments Pte Ltd, halted withdrawals in July 2022 and obtained a s 64 moratorium in August 2022 that was extended several times while it negotiated with a potential acquirer and then with creditors. The proceedings produced no reported judgment of general significance, but the case is remembered by Singapore practitioners as the first of the 2022 wave and as the one in which creditor committees and town halls were first used at scale.

Case	Entity type	Procedure	Key holding
Vauld (Defi Payments) 2022	Singapore lender	s 64 moratorium, extended	No reported judgment; creditor engagement practice
Re Zipmex [2022] SGHC 196, [2022] SGHC 306	Singapore exchange group with Thai and Indonesian subsidiaries	s 64 and s 65 moratoria	COMI and substantial connection in Singapore; creditor engagement directions; duty to keep court informed
Hodlnaut: *Loh v Hodlnaut* [2023] SGHC 323	Singapore yield platform	Interim judicial management, then winding up	Crypto obligations are debts for the insolvency test; withdrawal halt does not extinguish liability
Three Arrows: recognition 2022; *Cheong Jun Yoong* [2024] SGHC 21; [2024] SGHC(A) 10	BVI fund managed from Singapore	Model Law recognition; trust claim	Recognition as foreign main proceeding; trust claimant may sue in Singapore; situs of crypto is residence of key-holder

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Case	Entity type	Procedure	Key holding
Re Babel Holding [2023] SGHC 98	Hong Kong lender with Cayman holding and Singapore subsidiaries	s 64 moratoria	Substantial connection through Singapore operations; pooling scheme not inappropriate in principle; creditor lists sealed

Notes

1. *Re Zipmex Co Ltd and other matters* [2022] SGHC 196 (Aedit Abdullah J, 17 August 2022) at [1]–[9].
2. *Re Zipmex* [2022] SGHC 196 at [12]–[24], applying *Re Zetta Jet Pte Ltd* [2019] SGHC 53 on COMI and *Re Pacific Andes Resources Development Ltd* [2016] SGHC 210 on substantial connection.
3. *Re Zipmex* [2022] SGHC 196 at [9]–[10] and [31].
4. *Re Zipmex* [2022] SGHC 196 at [25]–[30].
5. *Re Zipmex Co Ltd and other matters* [2022] SGHC 306 (Aedit Abdullah J, 6 December 2022) at [3]–[11].
6. *Re Zipmex* [2022] SGHC 196 at [23].
7. *Loh Cheng Lee Aaron and another v Hodlnaut Pte Ltd* [2023] SGHC 323 (Aedit Abdullah J, 10 November 2023) at [2]–[3].
8. *Loh Cheng Lee Aaron v Hodlnaut* [2023] SGHC 323 at [6]–[13]. The *Algorand* decision is HC/CWU 246/2022 (30 March 2023), distinguished at [12].
9. *Loh Cheng Lee Aaron v Hodlnaut* [2023] SGHC 323 at [14]–[15].
10. *Loh Cheng Lee Aaron v Hodlnaut* [2023] SGHC 323 at [16]–[20].
11. *Three Arrows Capital Ltd and others v Cheong Jun Yoong* [2024] SGHC(A) 10 at [3]–[4] (recognition on 22 August 2022). The recognition order itself is HC/OA 317/2022.
12. *Cheong Jun Yoong v Three Arrows Capital Ltd and others* [2024] SGHC 21 at [57]–[65].
13. *Three Arrows Capital Ltd v Cheong Jun Yoong* [2024] SGHC(A) 10 at [34]–[48].
14. *Re Babel Holding Ltd and other matters* [2023] SGHC 98 (Aedit Abdullah J, decision of 31 March 2023) at [13]–[15].
15. *Re Babel Holding* [2023] SGHC 98 at [20]–[23].
16. *Re Babel Holding* [2023] SGHC 98 at [7] and [10]–[11].

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