The Hodlnaut and Vauld lessons

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The insolvency proceedings of 2022 and 2023 are examined in Part J, Chapter V and Part N, Chapter IV. Three regulatory lessons belong here.

The first is that the terms of service determine everything. Hodlnaut's terms transferred title to the tokens to Hodlnaut and gave the customer a contractual right to repayment.[1] The customers were unsecured creditors. The tokens were Hodlnaut's property and were lent onward, so no trust protected the customers when the counterparties failed. The segregation regime of 2024 responds by requiring a trust for all customer tokens held by a licensee and by prohibiting the lending of retail customers' tokens, which makes the Hodlnaut model unlawful for a licensee's retail book. For accredited customers the terms of service still determine whether the arrangement is custody on trust or a loan to the provider. The customer who signs a loan agreement receives a loan's protection.

The second is that the gap between the Acts was real. Hodlnaut's yield product was not a payment service because the platform did not safeguard the tokens. It was not a licensed capital markets product because nobody had analysed it as a debenture or a CIS. The platform held an in-principle approval for the parts of its business that were payment services, which gave customers a false sense that the whole business

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was regulated. The 2024 reforms address the gap by prohibiting the product for retail customers through the licensee's conditions, so that a licensee can no longer carry an unregulated yield product alongside its licensed exchange.

The third is that interim judicial management and the IRDA moratorium work for crypto platforms but do not create property rights. The Singapore courts were efficient in granting moratoria and appointing managers, so the proceedings preserved value.[2] They did not and could not turn unsecured creditors into beneficiaries. The regulatory response, a statutory trust imposed in advance, is the only mechanism that changes the outcome. It applies only to licensees. A Singapore resident who lends tokens to an unlicensed foreign platform in 2026 is in exactly the position of a Hodlnaut customer in 2022.

Singapore perspective

You can run a staking business for professional clients from Singapore under a DPT licence with custody scope. The conditions are that you pass rewards through, hold the staked tokens in trust with records that identify each client, and keep the clients documented as accredited or institutional investors. You cannot offer any yield product to retail customers, promise a fixed return without an SFA analysis, or pool clients' tokens into a managed strategy without a fund management licence. If your business model depends on retail yield, Singapore is not the jurisdiction for the operating entity. A Singapore presence serving foreign retail customers is caught by Part 9 of the FSMA.

Notes

1. Hodlnaut terms of service as reproduced in the interim judicial managers' reports to creditors, 2022 and 2023, and the analysis of customer status in Part J, Chapter V. ↩
2. Insolvency, Restructuring and Dissolution Act 2018, ss 64 (moratorium) and 91 ff. (judicial management), as applied in the 2022 and 2023 crypto platform proceedings discussed in Part N, Chapter IV. ↩

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