Two meanings of one phrase

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Regulators use "regulatory arbitrage" as an accusation. Founders use it as a strategy. Both are describing the act of choosing where to be regulated. The phrase hides the only question that matters: whether the chosen jurisdiction's rules apply to the business in fact. In its legitimate sense, arbitrage means selecting the jurisdiction whose law fits the business, establishing the business there with the substance the law requires and accepting that jurisdiction's supervision in full. Every multinational does this. Switzerland and Singapore have built their financial centres on being chosen. Neither penalises a firm for preferring Zug's foundation law or Singapore's fund incentives over a competitor's. In its illegitimate sense, arbitrage means locating a letter-box in a jurisdiction whose rules are light while running the business, serving the customers and taking the decisions somewhere else, so that neither jurisdiction supervises what actually happens. That is what FINMA and MAS penalise. The line between the two senses is substance.[1]

The distinction matters because the digital-asset industry has a short history of the illegitimate kind. Exchanges registered in Seychelles operated from Hong Kong. Lenders held Singapore companies and ran operations with no Singapore presence. Token issuers used Swiss associations whose only Swiss activity was a notary's signature. Offshore-only providers sat in Singapore offices serving everyone except

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Singaporeans. Each prompted a regulatory response. The DTSP regime of 30 June 2025 is Singapore's answer to the last. FINMA's enforcement against unlicensed firms and its public warnings are Switzerland's answer to the others. This chapter sets out what both regulators penalise, what substance means in law, how far each jurisdiction's rules reach across borders, and finally a decision matrix for ten business models that applies the lessons of the whole part.

Notes

1. The point is made in the regulators' own words. MAS, Response to feedback received on proposed regulatory approach for digital token service providers under FSMA, 30 May 2025, explaining that it would not license providers whose activity has no substantial nexus with Singapore beyond a registered office. FINMA, Annual Report 2023, section on fintech supervision, describing enforcement against entities that used a Swiss address to suggest Swiss supervision while operating abroad. ↩

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