Collapses of 2022 and their regulatory consequences

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Terra and Luna

The first shock came in May 2022. TerraUSD, an algorithmic stablecoin designed to hold a value of one US dollar through an arbitrage mechanism with its companion token Luna, lost its peg in the second week of the month. Within days Luna fell to virtually nothing. The collapse wiped out almost 45 billion US dollars of market capitalisation within a week. Terraform Labs, the company behind the project, had been founded in Seoul in 2018 by Do Kwon and Daniel Shin and later operated from Singapore. A large part of the demand for TerraUSD had been generated by the Anchor protocol, which paid depositors a yield of 19.45 %.[1]

The legal aftermath took place largely outside Singapore. Do Kwon was arrested in Montenegro in March 2023 and charged with fraud in the United States, where he pleaded guilty to two counts in August 2025 and was sentenced on 11 December 2025 to fifteen years' imprisonment. Terraform Labs had filed for bankruptcy under Chapter 11 of the US Bankruptcy Code on 21 January 2024. In September 2022

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investors in Singapore brought a class action in the High Court of Singapore, which showed that the courts of the city had become a forum for the losses of the crypto market.[2]

Three Arrows Capital

The collapse of Terra brought down Three Arrows Capital, a hedge fund founded in 2012 by Su Zhu and Kyle Davies and headquartered in Singapore. The fund had invested heavily in Luna and borrowed from many crypto lenders. In June 2022 it failed to meet margin calls. After a court in the British Virgin Islands ordered its liquidation on 27 June 2022, the liquidators filed for recognition under Chapter 15 of the US Bankruptcy Code on 2 July 2022. The claims lodged by creditors amounted to about 3.5 billion US dollars.[3]

For the Monetary Authority, the case was embarrassing. Three Arrows had been registered in Singapore since August 2013 as a registered fund management company, a light regime limited to assets under management of 250 million Singapore dollars. On 30 June 2022 the authority reprimanded the firm for exceeding that limit, for providing false or misleading information and for failing to notify changes in its directors and shareholders.[4] The case showed how a firm could use the reputation of a Singapore registration while conducting its real business elsewhere, a weakness that the regime for digital token service providers described in the next section addresses. The registered fund management company regime itself was closed to new entrants in 2018. Its successors are discussed in Chapter E.V.[5]

Su Zhu was arrested at Changi Airport in late September 2023 while attempting to leave Singapore, under a committal order that sentenced him to four months' imprisonment for failing to cooperate with the liquidators.[6] The Monetary Authority also issued prohibition orders against both founders.[7]

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The lenders and the platforms

The failure of Three Arrows spread through the lending platforms that had financed it. Several of them had operations in Singapore. Hodlnaut, a Singapore lender, suspended withdrawals on 8 August 2022 and was placed under interim judicial management by the High Court later that month.[8] The Southeast Asian exchange Zipmex suspended withdrawals in July 2022 and sought a moratorium from the Singapore courts.[9] These cases came before Singapore judges who had to decide, often for the first time, how the insolvency of a crypto platform should be handled and whether customers owned the tokens credited to their accounts.

FTX and Temasek

The last and largest collapse of the year was that of FTX. On 11 November 2022 the exchange, its US subsidiary, the trading firm Alameda Research and more than a hundred affiliated companies filed for bankruptcy in Delaware. Temasek, the Singapore state investment company whose role is described in Chapter D.I, had invested in FTX in 2021 and wrote down its investment of 275 million US dollars to zero after the collapse.[10] Temasek stated that the investment represented a very small fraction of its portfolio. It nevertheless commissioned an internal review, which found no misconduct but led to reductions in the compensation of the team and the senior management responsible.[11]

The FTX case had a political dimension that the other collapses lacked, because a state investment company had backed a business that turned out to be fraudulent. The episode strengthened the argument, already present in the Monetary Authority, that Singapore should be more selective about the crypto firms it welcomed.

"Yes to digital asset innovation, no to cryptocurrency speculation"

The Monetary Authority set out its response before the FTX collapse. In a speech on 29 August 2022 entitled "Yes to Digital Asset Innovation, No to Cryptocurrency Speculation", its managing director, Ravi Menon, drew a distinction that has

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governed policy since. He described the authority's vision as building “an innovative and responsible digital asset ecosystem in Singapore”, while saying that the speculation in cryptocurrencies was something the authority “strongly discourages and seeks to restrict”. He added that outside a blockchain network cryptocurrencies served no useful function except as a vehicle for speculation, and that their extreme price volatility ruled them out as a viable form of money or investment asset.[12]

The speech announced a programme: frictions on retail access, including suitability tests and restrictions on leverage and credit; a consultation on consumer protection and on stablecoins; further requirements for the safekeeping of customer assets; stronger rules against market manipulation; and a prudential framework for the exposures of banks to crypto-assets. It also referred to Luna, which had been worth over 100 US dollars before falling to zero, as an example of what speculation could do to retail investors.[13]

Consumer protection measures

The consultation followed on 26 October 2022 and closed on 21 December 2022.[14] The Monetary Authority published its responses in two parts. The first, on 3 July 2023, required licensed providers to segregate customer assets from their own and to hold them in trust for customers, and restricted them from lending or staking the tokens of retail customers. The second part, published on 23 November 2023, dealt with access by retail customers. Providers must assess whether a retail customer understands the risks of crypto-assets before providing any service, may not offer incentives such as free tokens to attract retail customers, and may not offer them credit or leverage or accept payment by credit card.[15]

The safeguarding rules took legal form in amendments to the Payment Services Regulations 2019, which came into effect six months after 4 April 2024, on 4 October 2024. Providers must segregate customer assets, hold them in a trust account for the benefit of customers, keep proper books and records, and maintain effective systems and controls to protect those assets.[16] Guidelines on consumer

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protection measures add controls that prevent any single person from moving customer assets unilaterally, monthly statements to customers and a written disclosure of how losses caused by fraud or negligence are handled.[17]

The courts and the nature of crypto-assets

While the regulator acted, the courts clarified the private law. The leading early case, *Quoine Pte Ltd v B2C2 Ltd*, arose from thirteen trades concluded on 19 April 2017 on a cryptocurrency exchange operated by Quoine, in which the market maker B2C2 sold ether at a price of about ten bitcoin per ether, roughly 250 times the prevailing rate, after a technical failure on the platform. Quoine reversed the trades the next day. The Court of Appeal, sitting with two international judges, held by a majority in 2020 that the exchange had no contractual right to cancel them and that the doctrine of unilateral mistake did not apply. It expressly left open whether bitcoin could be the subject of a trust.[18] The case is often cited abroad for its analysis of contracts concluded by algorithms, a question that Chapter J.III takes up in the context of the common law of contract.

The question left open in *Quoine* was answered by the High Court in *ByBit Fintech Ltd v Ho Kai Xin*. An employee of the exchange had fraudulently transferred units of the stablecoin USDT belonging to her employer to addresses under her control. On 25 July 2023 Philip Jeyaretnam J held that the holder of a crypto-asset "has in principle an incorporeal right of property" recognised by the common law as a thing in action, and declared a constructive trust over the misappropriated tokens. The judge added that the right of redemption against Tether, the issuer of USDT, made the token resemble a traditional thing in action, but that this feature was not necessary for a crypto-asset to be classed as one.[19] The decision gave the trust-based safeguarding rules of the regulator a firm foundation in property law. It also placed Singapore, with England, among the common law jurisdictions in which crypto-assets are clearly recognised as property.

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Notes

1. Wikipedia, “Terra (blockchain)” (accessed November 2026): UST lost its peg in May 2022; LUNA fell to “virtually zero”; almost $45 billion of market capitalisation lost within a week; blockchain halted on 13 May 2022; also Terraform Labs co-founded by Do Kwon and Daniel Shin in 2018 in Seoul; Anchor Protocol paid UST depositors a yield of 19.45 %. ↩
2. Ibid.: arrest in Montenegro in March 2023; guilty plea to two fraud charges in August 2025; sentence of 15 years on 11 December 2025; Chapter 11 filing on 21 January 2024; also mentioning a class action of $56.9 million filed in the High Court of Singapore in September 2022 (the cited reference gives $79.8 million, so the amount is left out of the text). ↩
3. Wikipedia, “Three Arrows Capital” (accessed November 2026): founded 2012 by Kyle Davies and Su Zhu, headquartered in Singapore; failure to meet margin calls in June 2022; liquidation ordered by a BVI court on 27 June 2022; Chapter 15 filing on 2 July 2022; also about $3.5 billion in creditors' claims in the July 2022 filings; liquidators' total claim of $3.4 billion from 154 creditors. ↩
4. Ibid.: MAS reprimand of 30 June 2022 for exceeding the S$250 million AUM limit attached to its August 2013 registration, providing false or misleading information and failing to notify changes in directorships or shareholdings. ↩
5. MAS abolished the registered fund management company regime with effect from 7 August 2018, requiring new fund managers to hold a capital markets services licence or to be registered as a venture capital fund manager; existing registered firms were transitioned to licensing. ↩
6. Wikipedia, “Three Arrows Capital” (accessed November 2026): Zhu arrested at Changi Airport in late September 2023 under committal orders imposing four months' imprisonment for failure to cooperate with the liquidators. ↩
7. MAS, media release of 14 September 2023 issuing prohibition orders of nine years against Su Zhu and Kyle Davies, mas.gov.sg. ↩

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8. Wikipedia, “Hodlnaut” (accessed November 2026): suspension of all withdrawals on 8 August 2022; application for judicial management around 16 August 2022; interim judicial managers from EY Corporate Advisors appointed by the Singapore High Court on 30 August 2022. ↩
9. Zipmex Pte Ltd: suspension of withdrawals in July 2022 and application for a moratorium under s. 64 of the Insolvency, Restructuring and Dissolution Act 2018. ↩
10. Wikipedia, “FTX” (accessed November 2026): FTX, FTX.US, Alameda Research and more than 100 affiliates filed for bankruptcy in Delaware on 11 November 2022. Wikipedia, “Temasek Holdings” (accessed November 2026): Temasek invested in FTX in 2021 and wrote down its $275 million investment to zero after the collapse of November 2022, citing Reuters, 17 November 2022. ↩
11. Temasek, “Statement on FTX”, 17 November 2022 (investment of US$275 million, 0.09 % of net portfolio value of S$403 billion at 31 March 2022), and Temasek, statement of 29 May 2023 on the conclusion of its internal review and compensation cuts; temasek.com.sg refused automated access in November 2026. ↩
12. MAS, “Yes to Digital Asset Innovation, No to Cryptocurrency Speculation”, Opening Address by Mr Ravi Menon, Managing Director, at the Green Shoots Seminar, 29 August 2022: “Our vision is to build an innovative and responsible digital asset ecosystem in Singapore”; speculation in cryptocurrencies is what MAS “strongly discourages and seeks to restrict”; also “[O]utside a blockchain network, cryptocurrencies serve no useful function except as a vehicle for speculation”; “The extreme price volatility of cryptocurrencies rules them out as a viable form of money or investment asset.”. ↩
13. Ibid.: measures foreshadowed include customer suitability tests, limits on leverage and credit facilities, a public consultation by October 2022 on consumer harm and stablecoins, requirements to protect customers' digital assets, stronger rules on market manipulation and a prudential framework for

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banks' digital asset exposures; also “Luna was, at one point, worth over US$100 but tumbled to zero.”. ↩

14. MAS, Consultation Paper P008-2022 on Proposed Regulatory Measures for Digital Payment Token Services, consultation page: start date 26 October 2022, closing date 21 December 2022; consultation response published 23 November 2023. ↩

15. MAS, Response to Feedback Received on Proposed Regulatory Measures for Digital Payment Token Services (Part 1), P008-2022, 3 July 2023, sections 2 and 3: segregation of customers' assets, held on trust for the customer; restriction on DPTSPs' lending and staking of retail customers' DPTs. MAS, Response (Part 2), P008-2022, 23 November 2023, section 2 and para. 5.4: risk awareness assessment; restrictions on incentives; no credit facility, leveraged DPT transactions or credit or charge card payments for retail customers; guidelines to be published in mid-2024 with a nine-month transition period. ↩

16. MAS, media release “MAS Expands Scope of Regulated Payment Services”, 2 April 2024: amended safeguarding requirements take effect six months from 4 April 2024; segregation of customers' assets, trust account for customers' benefit, proper books and records, effective systems and controls. Allen & Gledhill, April 2024 (cited above), on commencement of the safeguarding amendments on 4 October 2024. ↩

17. Duane Morris & Selvam, “Singapore Payment Services Act Amendments Aim to Expand Regulatory Scope and User Protections”, 11 April 2024, on the Guidelines on Consumer Protection Measures by DPT Service Providers issued under s. 101 of the Payment Services Act. ↩

18. *Quoine Pte Ltd v B2C2 Ltd* [2020] SGCA(I) 02 (Sundaresh Menon CJ, Andrew Phang JA, Judith Prakash JA, Robert French IJ and Jonathan Mance IJ; judgment of 24 February 2020, majority judgment delivered by Menon CJ): 13 disputed trades on 19 April 2017 at 9.99999 or 10 BTC per ETH against a market rate of about 0.04 BTC; Quoine not entitled to cancel; no operative

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unilateral mistake; whether BTC can be held on trust "kept open for another day". ↩

19. *ByBit Fintech Ltd v Ho Kai Xin* [2023] SGHC 199 (Philip Jeyaretnam J, judgment of 25 July 2023, hearings on 5 May and 24 July 2023), [36]: "the holder of a crypto asset has in principle an incorporeal right of property"; [44]: institutional constructive trust declared in favour of ByBit; summary judgment granted; also at [4] and [39]. ↩

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