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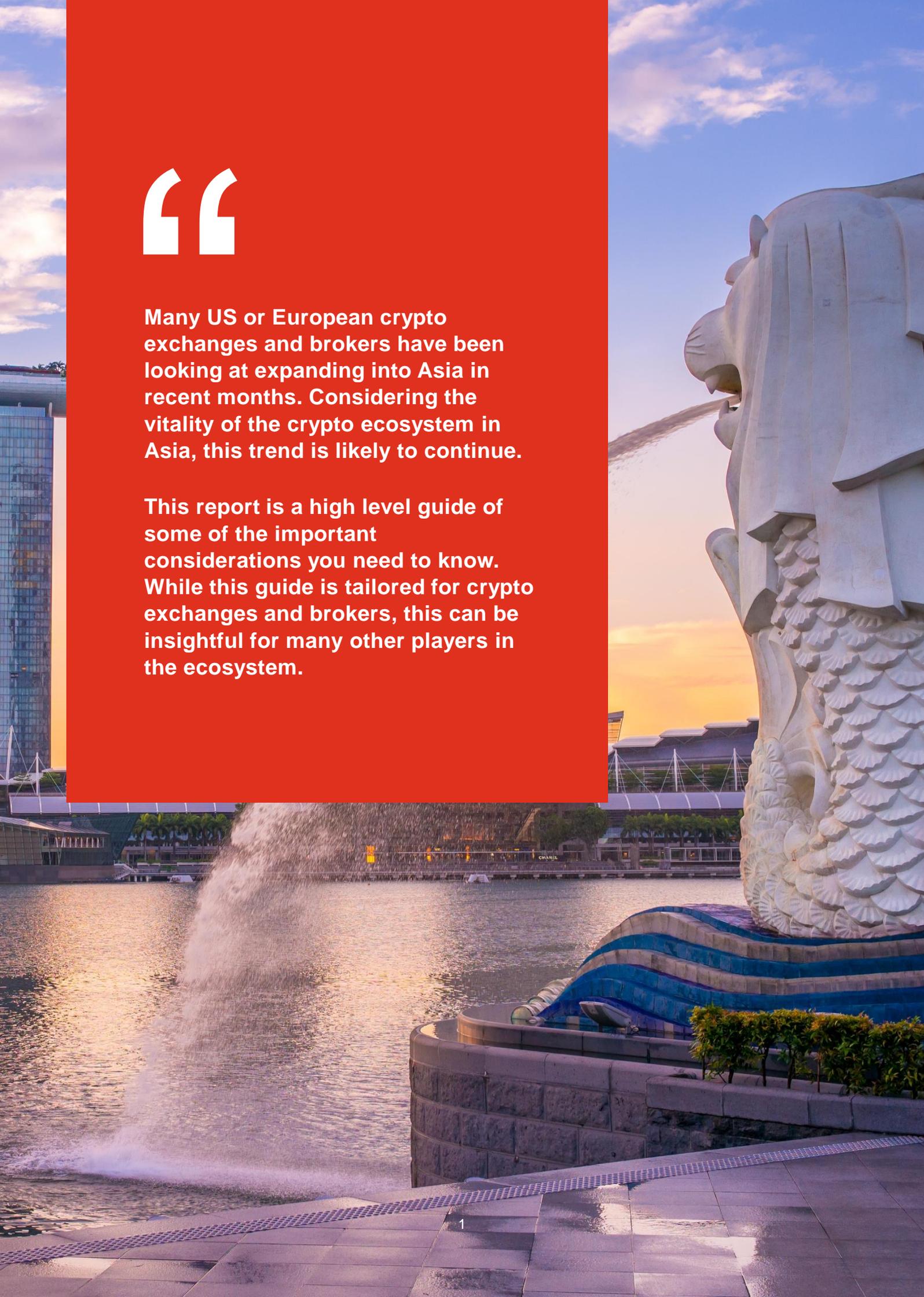
Expanding Your Crypto Business in Asia: What You Need to Know!



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Many US or European crypto exchanges and brokers have been looking at expanding into Asia in recent months. Considering the vitality of the crypto ecosystem in Asia, this trend is likely to continue.

This report is a high level guide of some of the important considerations you need to know. While this guide is tailored for crypto exchanges and brokers, this can be insightful for many other players in the ecosystem.





Corporate Service and Visa Considerations

	Hong Kong	Singapore
How quickly can I incorporate a company?	The entire company incorporation process normally takes less than one week.	The entire company incorporation process normally takes less than one week.
Do I need a local director?	<p>No. Directors can be individuals or corporations of any nationality or residence. However, at least one director should be a natural person.</p> <p>No corporate director is allowed in the case of a private company which is a member of a group of companies of which a listed company is a member.</p>	<p>Yes. Must have at least one director who is “ordinarily resident” in Singapore (i.e. citizen, permanent resident).</p> <p>Subject to compliance with prevailing laws and regulations on employment of foreign manpower, an employment pass holder with a local residential address may be accepted as a director who is ordinarily resident in Singapore.</p>
What are the annual filing requirements?	<ul style="list-style-type: none"> • Filing Annual Return with the Companies Registry • Holding Annual General Meeting • Preparing audited financial statements • Renewing Business Registration Certificate • Filing Employer’s Return with the Inland Revenue Department (“IRD”) • Filing Profits Tax Return with the IRD 	<ul style="list-style-type: none"> • Filing Annual Return with ACRA • Holding Annual General Meeting • Preparing audited financial statements unless exempted. • Filing annual tax return with (IRAS)



Corporate Service and Visa Considerations

	Hong Kong	Singapore
What are the pension and insurance requirements?	<ul style="list-style-type: none">• Every employer must join a Mandatory Provident Fund scheme and enrol employees (other than exempt persons) into the scheme.• Every employer must take out employees' compensation insurance policy (not less than HK\$100 million insurance cover per event (if the company has 200 or fewer employees) to cover liabilities for injuries sustained at work	<ul style="list-style-type: none">• Every employer will be required to make contributions to the Central Provident Fund Board for employees that are Singapore citizens and Permanent Residents.• The CPF contribution rate for employees is dependent upon citizenship status, age group and total wages.
Do I need an office?	<p>Yes. Every company must have a registered office in Hong Kong (which cannot be a post office box number or a "care of" address, but can be different from its business address).</p> <p>Generally, service providers that help incorporate and set-up your company also provide registered office services. Registered office can also be a coworking space.</p>	<p>Yes. Every Company must have a registered office address in Singapore (which cannot be a PO Box but a physical location).</p> <p>Generally, service providers that help incorporate and set-up your company also provide registered office services. Registered office can also be a coworking space.</p>
Do I need a visa?	<p>Yes. A proper Right to Work status (e.g. employment visa) is required to take up employment. The employment visa can be linked to the newly incorporated company.</p>	<p>Yes. A valid work pass or permit (e.g. employment pass) is required to take up employment. The employment pass can be linked to the newly incorporated company.</p>



Regulatory Considerations

	Hong Kong	Singapore
Can a crypto exchange get regulated?	<p>Yes. A crypto exchange that operates in Hong Kong and offers trading of at least one security token on its platform would fall within the jurisdiction of the SFC and needs to be regulated under the Securities and Futures Ordinance (“SFO”).</p> <p>If a crypto exchange only offers digital assets that are not securities (e.g. cryptocurrencies, utility tokens), it can continue to operate as an entirely unregulated business.</p>	<p>Yes. A crypto exchange that operates in Singapore and offers digital tokens which constitute capital market products shall be regulated by MAS under the Securities and Futures Act (“SFA”).</p> <p>A crypto exchange that operates in Singapore and offers the trading of cryptocurrencies (i.e Bitcoin and Ethereum) shall be regulated by MAS under the Payment Services Act (“PSA”).</p>
What type of crypto exchanges can get regulated?	<p>The SFC currently focuses on regulating centralised crypto exchanges (e.g. platforms which provide trading, clearing and settlement services for digital assets, and have control over investors’ assets)</p> <p>The SFC will not accept licensing applications from decentralised exchanges.</p>	<p>Any exchange that trades digital tokens which constitutes capital market products can be regulated under the SFA. No explicit exclusion of decentralised exchanges.</p> <p>Exchanges that only trade cryptocurrencies can only be regulated under the PSA for Anti-Money and Countering Financing of Terrorism (“AML/CFT”) purposes.</p>
Is being regulated mandatory?	<p>No. The framework is an opt-in to regulation. If a crypto exchange only offers digital assets that are not securities (e.g. cryptocurrencies, utility tokens), it can continue to operate as an entirely unregulated business.</p>	<p>Yes. A person carrying on a business of providing any service of dealing in digital payment tokens or any service of facilitating the exchange of digital payment tokens must be licensed and will be regulated under the PSA.</p>



Regulatory Considerations

	Hong Kong	Singapore
What are the licensing requirements?	<p>A crypto exchange must apply for a Type 1 (dealing in securities) and Type 7 (providing Automated Trading Services) licenses.</p> <p>Subject to meeting other licensing requirements, including the fit and proper criteria, the SFC may then grant a license.</p>	<p>A crypto exchange must apply for a recognised Market Operator (“RMO”) or Approved Exchange (“AE”), Capital Market Services License (“CMSL”) including dealing in capital markets products and provision of custodial services (where relevant), and Standard/Major Payment Institution licenses under Payment Services Act.</p> <p>Subject to meeting licensing requirements, including the fit and proper criteria, the MAS may grant a license.</p>
How much time could the application process take?	<p>A “traditional” regulatory application (not for digital assets) for Type 1 and 7 SFC licenses could easily take at least 6 to 9 months.</p> <p>This estimate may vary tremendously depending on a broad range of factors from the readiness of the applicant to the back and forth with the regulators.</p>	<p>A “traditional” regulatory application (not for digital assets) for each of the various licenses can easily take at least 4-6 months depends on the complexities and quality of submission.</p> <p>This indicative timeline may vary depending on a broad range of factors from the readiness of the applicant to the length of discussions with the regulators.</p>
What are the capital requirements?	<p>For Type 1 licence, the minimum requirement for the paid-up share capital of the licence applicant can be up to HK\$10 million and the minimum requirement for liquid capital is up to HK\$3 million; for Type 7 licence, a minimum paid-up share capital of HK\$5 million and a minimum liquid capital of HK\$3 million will be required.</p>	<p>Crypto exchanges that are regulated as AEs are required to maintain a base capital of S\$10 million.</p> <p>The base capital of crypto exchanges that are regulated as RMOs will be administered through conditions on recognition.</p>



Regulatory Considerations

Hong Kong

What are the obligations of a regulated crypto exchange?

A crypto exchange, upon becoming licensed, will be a “licensed corporation” and must comply with the relevant legal and regulatory provisions applicable to other licensed corporations (e.g. Securities and Futures Ordinance and its subsidiary legislation, Code of Conduct and guidelines, circulars and FAQ published by the SFC

In addition to these existing requirements, the SFC has included additional requirements, called the “Licensing Conditions and Terms and Conditions for Virtual Asset Trading Platform Operators” (Terms and Conditions) which are drafted to address the unique features of digital assets and blockchain/DLT technology.

What type of clients can such a regulated crypto exchange have?

Regulated crypto exchange can only provide services to professional investors.

For individuals, being a professional investor generally means having a portfolio of not less than HK\$8 million (approx. US\$1 million) and for corporations, a portfolio of not less than HK\$8 million (approx. US\$1 million) or total assets of not less than \$40 million (approx. US\$5 million).

There are no such restrictions for crypto exchanges that decide not to get regulated and will only offer digital assets that are not securities.

What type of asset can be traded on the exchange?

Regulated crypto exchanges will be able to trade virtual assets (e.g. Bitcoin, Ethereum) and are required to offer at least one or more security tokens on its platform.

Singapore

Upon becoming licensed under the SFA, an exchange must comply with the relevant regulatory provisions applicable to organised markets (e.g. Securities and Futures Act, Securities and Futures (Organised Markets) Regulations, and all relevant regulatory instruments issued by the MAS from time to time

Upon becoming licenced under the PSA, the exchange will be licensed payment service provider and must comply with the Payment Service Act and its subsidiary regulations and regulatory instruments as issued by the MAS from time to time.

The services can be offered to both retail investors and qualified investors depending on their type of license.

Crypto exchanges regulated as organized markets may only offer digital tokens that constitute as capital market products.

Crypto exchanges regulated as payment service providers can offer cryptocurrencies (i.e. Bitcoin and Ethereum) and other digital payment tokens.



Tax Considerations

	Hong Kong	Singapore
What is the applicable tax rate? (Commercial + Personal)	<p>The prevailing corporate income tax rate for corporations is 16.5% on its assessable profits. The first HK\$2 million of assessable profits is taxed at only 8.25%.</p> <p>Individuals are taxed at progressive rates of 2% to 17% on their net chargeable income (i.e. assessable income after deductions and allowances) or 15% of net income (i.e. income after deductions only), whichever is lower.</p> <p>Capital gains are not taxed in Hong Kong.</p>	<p>The prevailing corporate income tax rate for companies is 17% on its chargeable income. Partial tax exemption is available for up to S\$200,000 of chargeable income.</p> <p>Individuals are taxed at progressive rates on their net chargeable income (i.e. assessable income after deductions and allowances) starting at 2% to 22%.</p> <p>There are no capital gains tax in Singapore.</p>
Is VAT/GST applicable?	<p>No. There is no VAT, GST or any other similar sales tax in Hong Kong.</p>	<p>Services to facilitate the exchange of cryptos is generally subject to GST at the standard-rate of 7% if the services are performed for Singapore clients. The trading of cryptos as a principal is exempt from GST if the cryptos fall within the definition of “Digital Payment Tokens”.</p>
Any tax guidance for crypto assets?	<p>The Hong Kong Tax Authority released a new crypto tax guidance in March 2020 (Revised DIPN 39) where the Hong Kong Inland Revenue Department (IRD) recognizes 3 types of digital tokens (payment, security and utility tokens) and the profits tax treatment will depend on their nature and use.</p>	<p>The Inland Revenue Authority of Singapore released a new e-tax guide in April 2020 where it recognizes 3 types of digital tokens (payment, security and utility tokens) and the income tax treatment will depend on their nature and use.</p>
How are crypto payment tokens (e.g. Bitcoin) classified?	<p>If digital assets are bought for long-term investment purposes, any profits from disposal would not be chargeable to profits tax. Employees may receive salary in cryptocurrency. The amount to be reported as the employee’s employment income should be the market value of the cryptocurrency at the time of accrual.</p>	<p>For GST purposes, digital payment token has been defined to include digital tokens that are intended to be a medium of exchange accepted by the public, amongst other characteristics. Examples of such tokens are Bitcoin, Ether, Litecoin, Dash, Monero, Ripple and Zcash.</p>
Is crypto lending taxable?	<p>There is no specific exemption for crypto-lending. General tax principles apply.</p>	<p>There are no specific exemption for crypto-lending, general tax principles apply.</p>



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The PwC Global Crypto Team is composed of over 150 professionals active in over 25 countries that offer a “one stop shop” solution for our crypto clients across our multiple lines of service. Our clients include crypto exchanges, crypto investors, token issuers, crypto service providers, traditional financial institutions moving into the crypto space, as well as national regulators with regards to their crypto policies.

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