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First Industry Pilot for Digital Asset and Decentralised Finance Goes Live

Singapore, 2 November 2022... The Monetary Authority of Singapore (MAS) announced today that the first industry pilot under MAS' Project Guardian ^[1] that explores potential decentralised finance (DeFi) applications in wholesale funding markets has completed its first live trades. More industry pilots have been launched to test the application of asset tokenisation and DeFi across a broader range of use cases in the financial sector.

2 Under the first industry pilot, DBS Bank, JP Morgan and SBI Digital Asset Holdings conducted foreign exchange and government bond transactions against liquidity pools comprising of tokenised Singapore Government Securities Bonds, Japanese Government Bonds, Japanese Yen (JPY) and Singapore Dollar (SGD).

3 **A live cross-currency transaction ^[2] involving tokenised JPY and SGD deposits was successfully conducted. In addition, a simulated exercise was performed involving the buying and selling of tokenised government bonds.**

4 DeFi enables financial transactions to be performed by entities directly with one another using smart contracts, without financial intermediaries. The live transactions executed under the first pilot demonstrate that cross currency transactions of tokenised assets can be traded, cleared and settled instantaneously among direct participants. This frees up costs involved in executing trades through clearing and settlement intermediaries, and the management of bilateral counterparty trading relationships as required in today's over-the-counter (OTC) markets.

5 Oliver Wyman Forum ^[3], in partnership with DBS Bank, JP Morgan and SBI Digital Asset Holdings, has released a whitepaper that summarises the broad learnings from the first pilot, including the benefits of digital asset interoperability and transaction efficiency that institutional DeFi protocols can introduce to financial markets.

6 Since the announcement of Project Guardian in May 2022, MAS has engaged the financial industry to identify key areas for collaboration. These include:

- **Carrying out industry pilots** with financial institutions and FinTechs, in Singapore and other jurisdictions, to develop good asset tokenisation use cases for financial services. Such pilots allow the industry to identify opportunities to unlock economic value, and surface potential risk management issues.
- **Studying regulatory and risk management implications** of tokenised asset transactions, such as the regulatory treatment of tokenised liabilities and appropriate governance for institutional DeFi structures, to promote oversight and accountability.
- **Developing technology standards** to support interoperability across the digital asset ecosystems with the potential to facilitate cross currency transactions of tokenised assets globally. This involves first establishing a common identity and access framework supported by trust anchors ^[4] - regulated financial institutions that screen, verify and issue verifiable credentials to entities that wish to participate in the DeFi protocols.

7 Arising from the industry engagements, MAS is launching two new industry pilots.

- **Trade Finance:** Standard Chartered Bank is leading an initiative to explore the issuance of tokens linked to trade finance assets. The project aims to digitise the trade distribution market, by transforming trade assets into transferable instruments that are more transparent and accessible to investors.
- **Wealth Management:** HSBC and UOB are working with Marketnode ^[5] to enable native digital issuance of wealth management products, enhancing issuance efficiency and accessibility for investors.

8 MAS welcomes further proposals from the industry that addresses the key focus areas of Project Guardian - open interoperable networks, trust anchors, asset tokenisation, and institutional grade DeFi protocols. MAS invites interested parties to submit proposals to the FinTech Regulatory Sandbox ^[6] for live experimentation.

9 Mr Sopnendu Mohanty, Chief FinTech Officer, MAS, said, “The live pilots led by industry participants demonstrate that with the appropriate guardrails in place, digital assets and decentralised finance have the potential to transform capital markets. This is a big step towards enabling more efficient and integrated global financial networks. Project Guardian has deepened MAS’ understanding of the digital asset ecosystem and has contributed to the development of Singapore’s digital asset strategy. We look forward to working with more institutions to advance global learning on policies, standards, and best practices for digital asset regulation and responsible innovation.”

^[1] Please refer to the media release on the announcement on Project Guardian:

<https://www.mas.gov.sg/news/media-releases/2022/mas-partners-the-industry-to-pilot-use-cases-in-digital-assets>

^[2] A live trade with real-world assets was conducted as an isolated exercise, under a bilateral commercial arrangement to recognize zero profit and loss based on mutually agreed transactions terms.

^[3] Oliver Wyman Forum is Oliver Wyman's think tank dedicated to building leadership communities to drive new solutions to shared global challenges.

^[4] This ensures that participants trade only with verified counterparties, issuers and protocol developers.

^[5] Marketnode, an SGX Group and Temasek joint venture, is a digital markets infrastructure provider.

^[6] The FinTech Regulatory Sandbox framework enables financial institutions and FinTech players to experiment with innovative financial products or services in a live environment but within a well-defined space and duration: <https://www.mas.gov.sg/development/fintech/regulatory-sandbox>

Resources

[Annex A - Quotes from partnering financial institutions !\[\]\(4fe57c3593bf1b21d272ae7ac8dfaf77_img.jpg\) \(123.8 KB\)](#)

