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Purpose-bound Versus Speculative Digital Money

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The original purpose of crypto when Bitcoin was invented was to allow people to make financial transactions via the internet. Included in the original thinking for crypto was that transactions would not require middlemen. Then Bitcoin, followed by other tokens, started to multiply in value. The original crypto token which had been worth a fraction of a cent became worth a dollar, ten dollars, a hundred dollars, and thousands of dollars. Bitcoin became a way to get rich quick. This was great for folks who made money and not so great for those who speculated and lost. Crypto, however, had strayed from its original purpose. Now countries like Singapore are going to be treating differently purpose-bound versus speculative digital money.

Sorting Out of Cryptocurrencies

For several years crypto was exciting and full of profits. A mantra developed that Bitcoin and the rest would go up in value forever. Regulation was not necessary because crypto was decentralized and better off without government interference. When crypto winter hit and turned into more of a [crypto ice age](#) it had a sobering effect on many in the crypto world. When DeFi businesses and crypto exchanges collapsed more folks became concerned. Then it became clear how badly some crypto businesses had been managed and there were fraudulent dealings within top crypto companies. The regulatory floodgates opened and most folks in the crypto world welcomed government oversight comparable to that which is exercised over banks, stock markets, or insurance companies. Despite all of its troubles, crypto is not going away. What is happening is that regulators are sorting out crypto. The result is that crypto trading will be safer as will DeFi and crypto exchange business operations. In this regard, we are looking at Singapore's protocols for purpose-bound as opposed to speculative digital money.

What Is Purpose-bound Digital Money?

Singapore's central bank is proposing standards for [purpose-bound digital money](#). By digital money the Singapore Monetary Authority means tokenized bank deposits, central bank digital currencies, and stablecoins on a distributed ledger. The point is to integrate crypto and, specifically, decentralized finance into the traditional financial network. This is consistent with the original intent for Bitcoin to make it a way to carry out person to person financial transactions using the internet. Because of how cryptocurrencies work using blockchain technology including authentications, there needs to be an agreed upon way to move assets in and out of crypto to be able to take advantage of banking systems and other aspects of the TradFi network. This effort is similar to how Congress is looking at [payment stablecoin regulations](#) via states. The point is to take a better-regulated world of crypto and let it take advantage of opportunities in the world of traditional finance.

Development of a Common Protocol for Purpose-bound Digital Money

As with virtually all developing technologies, there is typically one agreed upon way of doing things that eventually evolves. To the extent that someone like Singapore's central bank can sort this out in advance, it

will remove the confusion of there being several proprietary systems dealing with points of contact between DeFi and TradFi. As always, the devil is in the details and Singapore's white paper on the subject covers the technical specifications they believe are necessary to make this work. On a practical level this type of system needs to work for people whose assets are in crypto but want to do something as simple as buy a product online and not OK payment until the item has been shipped and received. Singapore's central bank has borrowed ideas from their Project Orchid which has been working to develop the necessary technical competence and infrastructure since 2021.

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