



Monetary Authority of Singapore

Response to Feedback Received

P009 – 2022 – 15 August 2023

# Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities



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# 1. Preface

- 1.1. Stablecoins are emerging as a new class of digital payment tokens (“DPTs”) with the potential to become a widely used payment instrument.
- 1.2. The Monetary Authority of Singapore (“MAS”) first published a consultation paper<sup>1</sup> on 23 December 2019, seeking views on the concepts of money, e-money and DPTs, and their consequent regulatory treatment. Due to the nascency of stablecoins, there was a range of feedback received and no firm landing on one regulatory treatment versus another.
- 1.3. Over the last few years, developments in the digital asset space have sharpened the clarity of thinking regarding the appropriate regulatory treatment of stablecoins. On 26 October 2022, MAS issued a consultation paper<sup>2</sup> on the overall regulatory approach for stablecoin-related issuance and intermediation activities, highlighting the key requirements that would be imposed on such activities. The consultation period closed on 21 December 2022, and MAS would like to thank all respondents for their contributions. The list of respondents, and their submissions, can be found in Annexes B and C respectively.
- 1.4. MAS has carefully considered the feedback received and has incorporated them where appropriate. Comments that are of wider interest, together with MAS’ responses, are set out below. This paper represents MAS’ finalised regulatory approach towards stablecoins in Singapore. A summary of the key requirements of the framework can be found in Annex A.

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<sup>1</sup> Consultation on the Payment Services Act 2019: Scope of E-money and Digital Payment Tokens, Dec 2019 [here](#).

<sup>2</sup> Consultation on Proposed Regulatory Approach for Stablecoin-related Activities, Oct 2022 [here](#).



## 2. Overall Regulatory Approach for Stablecoins

### Scope of MAS' stablecoin framework

- 2.1. In the consultation paper, MAS proposed to bring within the stablecoin regulatory regime, single-currency stablecoins (“SCS”) pegged to the Singapore dollar or Group of Ten (“G10”) currencies<sup>3</sup>, that are issued in Singapore – herein known as the “SCS framework”. Non-SCS will continue to be subject to the existing DPT regulatory regime under the Payment Services Act 2019 (“PS Act”). MAS sought comments on whether the regulatory scope was adequate and whether there might be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.
- 2.2. Respondents generally agreed with the regulatory scope. Several respondents suggested that MAS expand the scope of stablecoins regulated under the SCS framework going forward, taking into account developments in the stablecoin landscape as well as any changes in the risks posed by stablecoins. Some respondents commented that the SCS framework was restrictive as it did not include other prominent currencies. A few respondents cautioned against the prohibition of other types of stablecoins, such as SCS issued outside of Singapore, from being circulated and used within Singapore.

### **MAS' Response**

- 2.3. MAS will retain the proposal for the regulatory scope of the SCS framework to include only SCS pegged to the Singapore dollar or G10 currencies that are issued in Singapore. The restriction to SGD and G10 currencies within the SCS framework takes into consideration the availability of high-quality liquid assets in those currencies that would be fundamental to providing a strong reserve backing for SCS.
- 2.4. Other types of stablecoins will not be prohibited from being issued, used or circulated within Singapore. Such stablecoins, including SCS issued outside of Singapore or pegged to other currencies or assets, will continue to be subject to the existing DPT regulatory regime. MAS will continue to monitor developments in the stablecoin landscape, with a view to bringing other types of tokens into the SCS framework.

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<sup>3</sup> The G10 currencies are the Australian Dollar, British Pound Sterling, Canadian Dollar, Euro, Japanese Yen, New Zealand Dollar, Norwegian Krone, Swedish Krona, Swiss Franc and the United States Dollar.



## Introduction of “Stablecoin Issuance Service” as a new regulated activity

- 2.5. MAS had consulted on the proposal to introduce a new regulated activity of “Stablecoin Issuance Service” under the PS Act, and whether there was a need to introduce any other regulated services specific to stablecoins.
- 2.6. Respondents were largely supportive of the introduction of stablecoin issuance as an additional regulated payment service. There were also suggestions and clarifications to include the custody and management of reserve assets backing the SCS as additional regulated payment services.

### **MAS’ Response**

- 2.7. MAS will retain the proposal to introduce “Stablecoin Issuance Service” as an additional payment service under the PS Act. This additional regulated payment service will encapsulate the necessary activities that a stablecoin issuer undertakes, including custody of SCS issued by the issuer and management of the reserve assets backing the SCS.

## Treatment of bank and non-bank SCS issuers

### Regulatory treatment for non-bank SCS issuers

- 2.8. MAS had proposed that non-bank SCS issuers with SCS in circulation not exceeding S\$5 million in value need not obtain a Major Payment Institution (MPI) licence and comply with SCS issuer requirements under the SCS framework. Accordingly, their SCS will not be recognised under the new SCS regime, given that issuers of such SCS will not need to be subject to requirements to address the stability in value of the SCS issued. MAS sought comments on whether such a regulatory approach was appropriate.
- 2.9. One respondent suggested that smaller SCS issuers should still be subject to minimum reserve asset requirements and be encouraged to adopt appropriate corporate controls and management practices. This would ensure that such issuers could prepare for compliance with the SCS framework ahead of exceeding the S\$5 million threshold, given that the circulation of any stablecoin could drastically increase in a short period of time.



## Regulatory treatment for bank SCS issuers

- 2.10. For banks that issue SCS by tokenising liabilities of the bank, MAS had proposed that additional reserve backing and prudential requirements would not be imposed on such banks. This was on the basis that banks were already subject to prudential requirements under the Banking Act. For banks that issue reserve-backed SCS, MAS had proposed that they be subject to the same regulatory regime as non-bank SCS issuers, except for the prudential requirements. MAS sought comments on whether this regulatory approach for bank SCS issuers, vis-à-vis non-bank SCS issuers, was appropriate and whether it would achieve an equivalent regulatory outcome for SCS issued in Singapore to maintain a high degree of value stability.
- 2.11. Some respondents agreed with the proposed approach. Reasons included the view that introducing additional regulatory measures for banks issuing SCS in the form of tokenised liabilities would only cause confusion for banks, or that it would introduce unnecessary barriers for banks to enter the stablecoin space given the fact that they were already highly regulated.
- 2.12. Many respondents were also of the view that requirements for bank versus non-bank issuers should be harmonised, for a level playing field. Some respondents were of the further view that tokenised bank liabilities should not be deemed as SCS, because the risks between tokenised bank liabilities and reserve-backed SCS were inherently different. Specifically, tokenised bank liabilities adopted the fractional reserve banking model, while SCS would be fully collateralised through their reserve backing. Correspondingly, these respondents were of the view that tokenised bank liabilities and reserve-backed SCS should, at the minimum, be labelled differently to differentiate between the two.

## MAS' Response

- 2.13. Regarding non-bank SCS issuers, MAS will retain our proposal not to subject SCS issuers with SCS in circulation not exceeding S\$5 million to requirements under the SCS framework. Some SCS issuers may have niche use cases, or they may employ other mechanisms to maintain value stability in one form or another. Any SCS issuer that anticipates or intends its total SCS circulation to exceed S\$5 million and would like its SCS to be recognised as being regulated under the SCS framework may still be able to apply for the MPI licence to conduct the "Stablecoin Issuance Service".
- 2.14. As to bank SCS issuers, MAS acknowledges the feedback that there are differences in the value-stabilising mechanisms used for fully reserve asset-backed stablecoins and tokenised bank liabilities, and thus the risks they pose to holders. MAS will therefore exclude tokenised bank liabilities from the scope of the SCS framework. However, MAS may impose additional requirements on tokenised bank



liabilities in the future as necessary, taking into consideration the design of such tokenised bank liabilities.

2.15. MAS will retain flexibility to consider certain tokens as stablecoins under the SCS framework, should a bank SCS issuer design such tokens to meet standards that are deemed equivalent under the framework. MAS will continue to monitor banks' initiatives in this space as well as international regulatory developments, and assess new developments accordingly.

## Appropriate term to differentiate MAS-regulated SCS from other stablecoins

2.16. MAS sought comments on whether it would be appropriate to have a single label for SCS that are under the SCS framework. MAS also sought views on three specific options – “regulated stablecoin”, “qualifying stablecoin”, or “securely-backed stablecoin” to label such SCS, and whether there were alternative terms that could be used to distinguish such stablecoins (which would be regulated for a high degree of value stability) from other types of stablecoins.

2.17. Respondents were supportive of a label to differentiate SCS regulated under the SCS framework. While there were mixed preferences as to a specific label, respondents emphasised the need for a straightforward label that would provide sufficient clarity.

### **MAS' Response**

2.18. On balance, MAS will be adopting the label “MAS-regulated stablecoin” for all SCS that will fall under the SCS framework. MAS is of the view that this label is straightforward and is expected to be easily understood by the public. In order to preserve the credibility of the SCS framework, only SCS regulated under the SCS framework will be permitted to use the label. All other DPT service providers and persons will be prohibited from using the term “MAS-regulated stablecoin”, or any derivatives of the term, to refer to tokens that are not regulated under the SCS framework. Financial penalties and imprisonment (in the case of individuals) may apply in the case of contraventions.



## 3. Requirements Imposed on Issuers of MAS-regulated SCS: Reserve Asset Requirements

- 3.1. MAS sought comments on whether the proposed reserve asset requirements were appropriate, and whether there might be unintended consequences that might affect the development of Singapore's digital asset ecosystem.

### Composition of reserve assets

- 3.2. The majority of respondents were supportive of the proposed reserve asset composition requirements. Several respondents requested more specific parameters on the liquidity of assets, proportion of acceptable asset classes as well as credit rating of assets, while one respondent suggested allowing for longer tenor debt securities.
- 3.3. Some respondents commented that the requirement for reserve assets to be in the same currency denomination as the peg of the SCS was unnecessary, and that reserve assets should be allowed to be denominated in any G10 currency instead, regardless of the peg of the SCS.
- 3.4. On the requirement that reserve assets, on a mark-to-market basis, must be at least 100% of the par value of the outstanding SCS in circulation at all times, some respondents suggested different approaches to account for price volatility of the reserve assets. A few respondents suggested requiring reserve assets to be maintained at prescribed levels greater than 100% at all times, while another respondent suggested that an element of margin be permitted, such that the value of reserve assets be allowed to fall to between 90% and 100% of the total value of SCS in circulation.

### **MAS' Response**

- 3.5. MAS intends to maintain a simple framework for reserve assets and will thus require SCS issuers to maintain a portfolio of reserve assets with very low risk. However, such SCS issuers will be required to maintain a robust and resilient risk management policy for its reserve assets, covering aspects such as credit, liquidity and concentration risk. Where necessary, SCS issuers should demonstrate to MAS how they review and determine the appropriate buffers in order to ensure that the valuation of their reserve assets is maintained at a level that is at least 100% of the outstanding SCS in circulation at all times.





## Segregation and custody of reserve assets

- 3.6. MAS had proposed that SCS issuers must hold all reserve assets used to back the SCS in segregated accounts, separate from its own assets which are not reserve assets. MAS had also proposed for reserve assets to be held only in financial institutions licensed to provide custodial services in Singapore.
- 3.7. There was broad support for SCS issuers to hold the reserve assets of the SCS in segregated accounts, separate from its own assets which are not reserves. However, a few respondents suggested that non-SGD denominated reserve assets should be allowed to be custodised at overseas institutions, aligned with the existing regulatory requirement in the Securities and Futures (Licensing and Conduct of Business) Regulations. One respondent suggested that permitted custodians should have a minimum credit rating of “A-”.

### **MAS’ Response**

- 3.8. MAS will go ahead with the proposed requirement for SCS issuers to hold the reserve assets of the SCS in segregated accounts, separate from its own assets which are not reserves. MAS also agrees with respondents that custody of assets by overseas-based custodians may be allowed, provided that such custodians have a minimum credit rating of “A-”, and have a branch in Singapore regulated by MAS to provide custodial services.

## Reserve asset audit requirements

- 3.9. There was a range of feedback on the proposed requirement for reserve assets to be independently attested to on a monthly basis, and for attestations to be published on the issuer’s website and submitted to MAS no later than the end of the following month. Some respondents agreed, with a few suggesting an even higher frequency of publication of reserve asset valuations (e.g. every fifteen days or daily), while some other respondents said that monthly independent attestations could be too onerous and costly for industry players. One respondent suggested that MAS set the requirements based on thresholds of the SCS issuance amount, such that smaller entities could be subject to less onerous attestation and reporting requirements.



## MAS' Response

3.10. MAS will proceed with the proposal without amendments. This is in view that the SCS framework is intended for SCS issuers with a significant amount of SCS in circulation, and to achieve a high level of transparency and trust in the value of the SCS.

## Prudential requirements

3.11. MAS sought comments on whether the following prudential requirements to be applied on SCS issuers under the SCS framework were risk proportionate, and suggestions on alternative approaches to address the risks:

- (a) **Base capital** – Higher of S\$1 million or 50% of annual operating expenses of the SCS issuer;
- (b) **Solvency** – To hold at all times, liquid assets<sup>4</sup> which are valued at higher of 50% of annual operating expenses or an amount assessed by the SCS issuer to be needed to achieve recovery or an orderly wind-down; and
- (c) **Business restrictions** – An SCS issuer is not allowed to undertake other activities that introduce additional risks to itself. This includes investing in and extending loans to other companies, lending or staking of SCS and other DPTs, and trading of DPTs. This is to ringfence and mitigate risks to the SCS issuer in lieu of a comprehensive risk-based capital regime. Such activities can still be conducted from other related entities (e.g. sister company in which the SCS issuer does not have a stake in).

3.12. Responses to the proposed base capital requirement were varied. One respondent suggested it was excessive compared to the existing capital requirement for e-money issuers (S\$100,000 or S\$250,000) under the PS Act, or the proposed stablecoin capital requirement of other jurisdictions. On the other hand, some respondents suggested higher base capital requirements, for example, to be in line with that required of banks. There were also suggestions to adopt a risk-based capital framework instead, or to consider referencing a fixed percentage against the value of SCS in circulation, as opposed to the issuer's operating expense, since the latter would favour large issuers given economies of scale.

3.13. On solvency, respondents were in general agreement with the requirement for SCS issuers to hold sufficient liquid assets for recovery or an orderly wind-down. However, one respondent suggested that further specifications, such as specific tenor buckets of negotiable Certificates of Deposits ("CDs") or

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<sup>4</sup> Proposed assets that will be considered liquid assets include cash and cash equivalents, debentures of government, negotiable certificate of deposits, and money market funds.



overnight and weekly requirements for money market funds (“MMFs”) that may be recognised as liquid assets, be set out. There were also suggestions that the amount assessed to achieve recovery or an orderly wind-down be subject to independent or regulatory review, at least on an annual basis.

3.14. The proposed restriction on non-SCS issuance activities by SCS-issuing entities received mixed responses. Some respondents proposed for MAS to consider allowing SCS issuers to undertake ancillary DPT/SCS-related services, such as the lending, investing or trading of DPT/SCS, on the condition that additional safeguards be implemented to ringfence the risks. A couple of respondents suggested that instead of a blanket prohibition, SCS issuers should be allowed to undertake DPT/SCS-related services up to a specified limit, such as up to the amount of its reserve assets or capital.

## **MAS’ Response**

3.15. MAS will maintain the base capital proposal as is. The base capital requirement for SCS issuers is set relatively high to ensure that SCS issuers demonstrate a strong financial commitment to carry on its business for the long term. A simplified capital framework takes into account the intent that SCS issuers will be highly restricted in their business operations so as to reduce the risks they are exposed to.

3.16. On solvency, MAS agrees with the feedback and will adjust the proposal to require that the amount assessed to achieve recovery or an orderly wind-down of an SCS issuer be subject to independent audits on at least an annual basis. This will provide an additional layer of verification on the appropriate amount of liquid assets that would be sufficient to meet our objective.

3.17. On business restrictions, MAS reiterates that SCS issuers under the SCS framework should not be exposed to risks beyond the primary activity of SCS issuance. MAS notes that there may be necessary activities which SCS issuers carry out as part of their business operations, such as custody of issued SCS, or facilitating the transfer of issued SCS to buyers. However, MAS does not intend for an SCS issuer under the SCS framework to take on other business offerings such as lending services, dealing or fund management services, which carry significant risks.



## 4. Requirements Imposed on Issuers of MAS-regulated SCS: Timely Redemption of SCS to Fiat

- 4.1. MAS sought feedback on whether the time period of five business days to return the par value of the MAS-regulated SCS to the SCS holder (from the date when a legitimate redemption request was received) was reasonable, and whether there might be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.
- 4.2. There was broad support for the proposed timeline. That said, some respondents felt that five business days was too generous and argued that redemption should be done within a shorter time frame, or even on a real-time basis. Other respondents suggested that provisions be included to allow for redemptions to exceed five business days, if there were factors outside an issuer's control. One respondent also sought clarification on how the five business day timeline would apply for cases where redemptions take place through an intermediary that is a DPT service provider.

### **MAS' Response**

- 4.3. MAS will proceed with the requirement that SCS issuers return the par value of MAS-regulated SCS to holders within five business days. The redemption timeline is intended to strike a balance between responsiveness to users' requests and ensuring there is enough time for the SCS issuer to do so in an orderly manner under various stress situations. In exceptional circumstances, for example, during times of market stress, MAS may direct SCS issuers to carry out liquidation of the reserve assets within a specified period to meet redemption needs. In normal business conditions, redemption should be expedient and not delayed unnecessarily. MAS notes that the stipulated time period applies only to redemption by parties that redeem directly with the SCS issuer.



## 5. Requirements Imposed on Issuers of MAS-regulated SCS: SCS Issued in Multiple Jurisdictions

- 5.1. MAS sought views on whether it was a likely development that the same SCS could be issued in multiple jurisdictions, and put forth two proposed avenues to recognise SCS with multi-jurisdiction issuance:
  - (a) Require the SCS issuer in Singapore to obtain and submit to MAS an independent attestation on an annual basis that other significant issuers of the SCS are deemed to meet equivalent standards relating to reserve backing and prudential requirements; or
  - (b) Establish regulatory cooperation among relevant regulatory bodies of the SCS to exchange information on operations of the SCS.
- 5.2. While respondents acknowledged the likelihood of SCS being issued out of multiple jurisdictions, several highlighted practical difficulties with industry participants ascertaining regulatory equivalence of stablecoin requirements across jurisdictions. Some respondents also commented that regulatory cooperation might not be sufficient to achieve MAS' objectives, as there could be challenges in enforcement, without formal schemes in place to recognise regulatory equivalence across jurisdictions.

### MAS' Response

- 5.3. MAS notes that given the nascent state of stablecoin regulations globally, it would be difficult to establish regulatory equivalence and cooperation with other jurisdictions at this juncture. The current technical standards also do not allow for the tracing of the SCS' issuance origin (i.e. the issuance entity and jurisdiction), once such SCS are commingled. This makes it practically difficult to monitor and establish the adequacy and availability of reserve assets held in an overseas jurisdiction that may be utilised towards redemption requests in another jurisdiction.
- 5.4. Given the above, MAS will not allow multi-jurisdictional issuance at the onset and will require SCS issuers to issue solely out of Singapore, if issuers wish for their SCS to be recognised as an "MAS-regulated stablecoin" under the SCS framework. MAS will continue to monitor regulatory and technical developments relating to stablecoins, and consider formal regulatory cooperation mechanisms with other jurisdictions as stablecoin regulations mature over time.



## 6. Requirements Imposed on Issuers of SCS Intermediaries

### Scope of regulated SCS-related intermediation services

- 6.1. MAS had proposed that SCS would be treated as DPTs for the purpose of non-issuance activities, and that intermediaries offering SCS-related services would therefore be regulated under the PS Act if the services fell within the scope of regulated DPT services. Correspondingly, MAS sought comments on whether there might be other specific SCS-related activities that would not be caught as a regulated DPT service (including those under the Payment Services (Amendment) Act)<sup>5</sup>, and which MAS should regulate either as a new payment service or through amendments to the scope of an existing payment service.
- 6.2. Several respondents proposed that instead of treating all non-issuance activities of SCS as regulated DPT services, MAS should adopt a calibrated risk-based approach, on the basis that SCS has greater value stability than DPT. In particular, one respondent suggested that MAS should scope out payment services arising from intermediaries' use of SCS (e.g. transmission of SCS, facilitating the exchange of SCS) from the scope of regulated DPT services.

### **MAS' Response**

- 6.3. MAS will proceed with the proposal as is, as non-issuance SCS activities carry the same risks as DPT-related services currently regulated under the PS Act. This means that an entity that is conducting the dealing in or facilitating the exchange of MAS-regulated SCS will have to be regulated as a DPT service provider under the PS Act.

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<sup>5</sup> The scope of DPT services that will be regulatable under the PS Act will be expanded when the Payment Services (Amendment) Act takes effect. Please refer to *Consultation on the Payment Services Act 2019: Proposed Amendments to the Act* for more details.



## Timely transfer of SCS

- 6.4. MAS sought comments on whether three business days would be a reasonable timeline for DPT service providers to transmit MAS-regulated SCS from a payer to payee.
- 6.5. While there was support for the proposed timeline, several called for a shorter time frame while others suggested that provisions be built in to account for factors outside the intermediaries' control (e.g. blockchain outages).

### **MAS' Response**

- 6.6. Transfers of SCS, by virtue of them being done on a blockchain, may be expected to be completed more quickly than transactions on traditional payment rails. MAS notes, however, that the transfer of MAS-regulated SCS may occur on various types of blockchain infrastructure that may have different service standards, and that such infrastructure may not always be fully under the intermediary's control. As such, MAS will retain the proposed timeline of three business days. This would mirror the existing money transmission requirement for domestic money transfer services.

## Segregation of customers' SCS

- 6.7. MAS sought comments on whether the proposal for SCS intermediaries to segregate customers' MAS-regulated SCS from other customers' assets (e.g. DPTs) as well as its own assets in different custody accounts would be appropriate to mitigate the risk of misuse of customers' SCS.
- 6.8. Respondents were broadly supportive of the proposed requirement for SCS intermediaries to segregate customers' MAS-regulated SCS from the intermediaries' own assets. However, many respondents were concerned that the proposed requirement to segregate customers' MAS-regulated SCS from customers' other assets would be too operationally challenging and did not bring any incremental benefit in mitigating the risk of misuse of customers' SCS.
- 6.9. A few respondents clarified if SCS intermediaries would be required to segregate each customer's MAS-regulated SCS from that of other customers', while another respondent sought clarification on whether



the proposed segregation requirements were similar to that as outlined in MAS' consultation paper on "Proposed Regulatory Measures for Digital Payment Token Services".<sup>6</sup>

## MAS' Response

6.10. MAS will proceed with the proposal for SCS intermediaries to segregate customers' MAS-regulated SCS from the intermediaries' own assets. The upcoming measures<sup>7</sup> relating to segregation and custody of customers' assets for DPT service providers will apply equally to SCS intermediaries, given that SCS intermediaries will also be subject to regulations for DPT service providers. MAS will therefore not require customers' MAS-regulated SCS to be further segregated from customers' other DPT.

6.11. In line with the asset segregation requirements for DPT service providers, SCS intermediaries will be allowed to commingle an individual customer's MAS-regulated SCS and/or DPT with that of other customers in an aggregated pool, while keeping this pool separate from the intermediary's own assets. The risks of such arrangements, as well as steps taken by the SCS intermediary to mitigate them, will have to be clearly disclosed to its customers.

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<sup>6</sup> Consultation on Proposed Regulatory Measures for Digital Payment Token Services, Oct 2022 [here](#).

<sup>7</sup> Response to Public Consultation on Proposed Regulatory Measures for Digital Payment Token Services (Part 1), Jul 2023 [here](#).





## 7. Systemic Stablecoin Arrangements

### Regulatory treatment of systemic stablecoin arrangements

- 7.1. MAS sought comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other Designated Payment Systems (“DPS”), by designating them under the PS Act and the Payment and Settlement Systems (Finality and Netting) Act 2002 (“FNA”). MAS also sought comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.
- 7.2. Most respondents were supportive of the proposed regulatory treatment for systemic stablecoin arrangements. However, a few respondents highlighted the impracticalities of subjecting stablecoin arrangements that are hosted on decentralised public blockchains to enhanced regulatory and supervisory standards. The main reason cited was the difficulty in identifying the operator(s) for such stablecoin arrangements, unlike in a typical payment ecosystem, where the operator is identifiable and responsible for the smooth functioning of the payment system that it operates.

#### **MAS’ Response**

- 7.3. MAS will proceed with the proposal, to ensure that MAS has powers to regulate a systemic stablecoin arrangement adequately. MAS notes the challenges and will continue to monitor international developments on the expectations of regulating systemic stablecoin arrangements, before developing the specific requirements to regulate such arrangements.



## 8. Other Comments on MAS' Regulatory Approach Towards Stablecoins

- 8.1. MAS sought further comments relating to the regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider. Some respondents sought clarity on whether MAS-regulated SCS would be insured under the Singapore Deposit Insurance Scheme, if pegged to the Singapore Dollar. A respondent clarified if SCS issuers would be required or allowed to pay interest on “deposited cash” relating to the SCS issuer’s SCS. Others provided feedback regarding risks to monetary sovereignty and interoperability with other stablecoins and Central Bank Digital Currencies (“CBDC”).

### MAS' Response

- 8.2. SCS issuers under the SCS framework will be subject to business restrictions to ensure that they are not exposed to additional risks, including through offering of other business services such as staking or lending, where interest is paid to customers. MAS-regulated SCS are not deposits and will not qualify as insured deposits as set out in the First Schedule of the Deposit Insurance and Policy Owners' Protection Schemes Act. As such, they will not be covered under the Deposit Insurance Scheme.
- 8.3. MAS notes that monetary sovereignty, and broader implications on financial stability, are concerns that warrant continued monitoring as the market develops. The DPT and SCS regulatory regimes will help MAS monitor the growth of the use of DPT and SCS as alternative media of exchange, and consider necessary measures to safeguard the efficiency of monetary policy and maintain stability in Singapore's financial system.

# Annex A: Summary of Finalised Key Requirements

## KEY REQUIREMENTS FOR MAS-REGULATED STABLECOIN ISSUERS

Requirements for MAS-regulated stablecoin issuers		
<b>RESERVE ASSETS</b>	<b>Composition</b>	<ul style="list-style-type: none"> <li>• Denominated in currency of stablecoin peg</li> <li>• Held in cash/ cash equivalents/ debt securities with up to three-month residual maturity and issued by (i) government or central bank of pegged currency; or (ii) organisations that are of both a governmental and international character with a minimum credit rating of “AA-”</li> </ul>
	<b>Valuation</b>	<ul style="list-style-type: none"> <li>• At least equivalent to par value of SCS in circulation at all times</li> <li>• Valued at mark-to-market basis daily</li> </ul>
	<b>Segregation &amp; Custody</b>	<ul style="list-style-type: none"> <li>• Held in segregated accounts on trust</li> <li>• Held in permitted custodians as follows:               <ul style="list-style-type: none"> <li>- Financial institutions licensed for custodial services in Singapore by MAS; or</li> <li>- Overseas-based custodians, with minimum credit rating of “A-”, which have a branch in Singapore regulated by MAS to provide custodial services</li> </ul> </li> </ul>
	<b>Independent Attestation &amp; Audit</b>	<ul style="list-style-type: none"> <li>• Independently attested to on monthly basis, report to be disclosed on entity’s website and submitted to MAS</li> <li>• Annual audit, report to be submitted to MAS</li> </ul>
<b>REDEMPTION AT PAR</b>		<ul style="list-style-type: none"> <li>• Direct legal claim for redemption at par</li> <li>• Redemption requests can be made anytime</li> <li>• Timely redemption (no later than 5 business days)</li> <li>• Redemption conditions (if any) must be reasonable, and disclosed upfront</li> </ul>
<b>PRUDENTIAL</b>	<b>Base Capital Requirement</b>	<ul style="list-style-type: none"> <li>• Higher of S\$1million or 50% of annual operating expenses (“OPEX”)</li> </ul>
	<b>Solvency</b>	<ul style="list-style-type: none"> <li>• Liquid assets valued at higher of 50% of annual OPEX or amount assessed to achieve recovery/ orderly wind-down</li> <li>• Amount assessed to achieve recovery/ orderly wind-down to be independently verified</li> </ul>
	<b>Business Restriction</b>	<ul style="list-style-type: none"> <li>• Prohibit provision of other non-issuance services (e.g. lending, staking, dealing in DPTs other than the SCS being issued and recognised as MAS-regulated stablecoin) in SCS-issuing entity</li> <li>• SCS-issuing entity cannot have stake in any other entity</li> </ul>
<b>WHITE PAPER ISSUANCE</b>		<ul style="list-style-type: none"> <li>• White paper to be issued, disclosing details such as, but not limited to:               <ul style="list-style-type: none"> <li>- General information of the issuer;</li> </ul> </li> </ul>



**Requirements for MAS-regulated stablecoin issuers**

	<ul style="list-style-type: none"><li>- Operations of the SCS (including value-stabilising mechanism, technology adopted);</li><li>- Risks arising from use of SCS; and</li><li>- Rights and obligations related to the SCS (e.g. redemption) etc.</li></ul>
<b>ANTI MONEY LAUNDERING/ COUNTERING THE FINANCING OF TERRORISM (AML/CFT)</b>	<ul style="list-style-type: none"><li>• Existing AML/CFT standards on DPT service providers and banks, e.g. customer due diligence, travel rule, screening, etc.</li></ul>
<b>TECHNOLOGY/ CYBER RISK</b>	<ul style="list-style-type: none"><li>• Existing technology and cyber risk management standards on DPT service providers</li></ul>