

A GUIDE TO THE REGULATORY TREATMENT OF STABLECOINS UNDER THE SINGAPORE PAYMENT SERVICES ACT 2019

[2024] SAL Prac 21

This article provides guidance on the key differences between the regulatory characteristics of “MAS-regulated stablecoins” versus other types of stablecoins that would be regarded as “digital payment tokens” under the Payment Services Act 2019 of Singapore (“PSA”), and the similarities and differences in regulatory treatment applicable to these different types of stablecoins. While the PSA licensing requirement could potentially apply to both issuers of MAS-regulated stablecoins and digital payment token service providers (“DPTSPs”), some of the key business conduct requirements differ due to the different policy objectives underpinning the regulatory framework for issuers of MAS-regulated stablecoins and DPTSPs. Generally, issuers of MAS-regulated stablecoins will be subject to requirements designed to maintain a high degree of value stability, including requirements relating to the composition, valuation and independent attestation of the reserve assets backing the value of the MAS-regulated stablecoins. On the other hand, there has been an increased focus on consumer protection for customers of DPTSPs. This article provides an update on the consumer protection measures under the *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers*, which were recently revised by the Monetary Authority of Singapore on 19 September 2024.

Melissa **THAM**¹
*LLB (Hons) (National University of Singapore);
Senior Associate, WongPartnership LLP.*

¹ All views expressed in this article are the author’s own, and the same goes for any errors herein.

I. Introduction

1 The development and use of payment infrastructure and networks built on the blockchain has been an area of interest for quite some time now, as both the public sector² and the private sector³ have explored blockchain and distributed ledger technology for payments to become faster, more efficient, more transparent, less costly, and more inclusive. Tokenised representations of stable assets such as fiat currency on the blockchain have thus become more popular and more widely used as payment instruments. Broadly, stablecoins can be understood as a class of payment tokens on the blockchain that are designed to maintain a stable value⁴ relative to another asset (typically a unit of currency or a commodity like gold) or a basket of assets⁵ – their value being backed by a reserve of fiat currency⁶ or commodities,⁷ or supported by algorithms.⁸

2 The Payment Services Act 2019⁹ (“PSA”) is the primary piece of legislation in Singapore that regulates payment service providers and payment infrastructure operators. The payment instruments that are presently within the regulatory ambit of the PSA are “money”, “e-money” and “digital payment tokens”.

² See, for instance, Project Ubin, which is a project spearheaded by the Monetary Authority of Singapore in collaboration with industry players to explore the use of blockchain and distributed ledger technology for clearing and settlement of payments and securities.

³ See, for instance, Partior, a company backed by DBS, JP Morgan, Temasek and Standard Chartered, which uses a blockchain-based multi-currency clearing and settlement platform to enable real-time clearing and settlement for cross-border payment transactions.

⁴ A common critique of the first generation of cryptocurrency (eg, Bitcoin) was their high price volatility, which made them less useful as a medium of exchange, unit of account or store of value in the short term. See Dirk G Baur & Thomas Dimpfl, “The Volatility of Bitcoin and Its Role as a Medium of Exchange and a Store of Value” (2021) 61 *Empirical Economics* 2663.

⁵ Financial Stability Board, *Regulatory Issues of Stablecoins* (18 October 2019) at fn 2. See also Monetary Authority of Singapore, *Consultation on the Payment Services Act 2019: Scope of E-money and Digital Payment Tokens* (23 December 2019) at para 2.2.

⁶ See, for instance, Tether.

⁷ See, for instance, Pax Gold.

⁸ See, for instance, TerraUSD.

⁹ 2020 Rev Ed.

3 The Monetary Authority of Singapore (“MAS”) recognised that stablecoins could potentially perform the role of a credible digital medium of exchange, provided they are well regulated and are backed by arrangements that give a high degree of assurance of value stability.¹⁰ Accordingly, MAS proposed to introduce a regulatory framework under the PSA in respect of single-currency stablecoins issued in Singapore (“SCS Framework”). To give users greater assurance of their stability and to preserve the credibility of the SCS Framework, single-currency stablecoins that are regulated under the SCS Framework will be labelled as “MAS-regulated stablecoins”.¹¹ An issuer that carries on a business of providing a stablecoin issuance service in Singapore exceeding \$5m in value will be required to hold a payment service provider’s licence under the PSA (unless an exemption applies), and comply with prescribed ongoing requirements that are meant to uphold a high degree of value stability in the MAS-regulated stablecoin.¹²

4 Other types of stablecoins that are not regulated under the SCS Framework may potentially be characterised as “digital payment tokens” under the PSA. While a regulatory framework already exists in respect of digital payment token service providers (“DPTSPs”), MAS recently introduced additional ongoing business conduct obligations meant to address consumer protection risks arising from various activities involving digital payment tokens.

5 Paragraphs 6 to 13 of this article will highlight the key differences between the regulatory characteristics of “MAS-

¹⁰ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at para 2.3.

¹¹ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at para 4.8; Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) at para 2.18.

¹² Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at paras 3.6 and 4.2; *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) at para 2.13. As of 15 October 2024, the Monetary Authority of Singapore has not announced the date on which the SCS Framework will come into force.

regulated stablecoins” versus other types of stablecoins that could be regarded as “digital payment tokens”. Paragraphs 14 to 25 of this article will compare the similarities and differences in regulatory treatment applicable to these different types of stablecoins, and also provide an update on the additional consumer protection measures applicable to DPTSPs.

II. Differences between “MAS-regulated stablecoins” and stablecoins regarded as “digital payment tokens”

A. MAS-regulated stablecoins

6 In order to qualify as an MAS-regulated stablecoin under the SCS Framework, the stablecoin in question needs to satisfy the following criteria:

(a) First, the stablecoin must be pegged to a *single* fiat currency that is the *Singapore dollar or any of the Group of Ten¹³ currencies*. MAS was of the view that single-currency stablecoins have a stronger use case for payment and settlement, as compared to other types of stablecoins (for example, those pegged to a basket of currencies or commodities).¹⁴ MAS also considered that the availability of high-quality liquid assets in these currencies would be fundamental to providing a strong reserve backing to maintain a stable value of the stablecoin.¹⁵

(b) Second, the “pegging” mechanism must be designed such that *the par value of the outstanding stablecoins in circulation is 100% backed by cash reserves, or cash and cash-equivalent assets*. This means that for every dollar’s worth of stablecoin in circulation, there must be a dollar’s worth of cash, or a dollar’s worth of cash

¹³ The Group of Ten (“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.

¹⁴ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at para 3.5(a).

¹⁵ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) at para 2.3.

and other cash-equivalent assets, that is held in reserve. MAS does not view algorithmically-pegged, unbacked or cryptocurrency-backed stablecoins to be eligible as MAS-regulated stablecoins because they are more susceptible to volatility in value.¹⁶

(c) Third, the stablecoin must be *issued solely in Singapore by an entity regulated under the SCS Framework*. This means that the issuer entity must be based in Singapore,¹⁷ and must either hold a major payment institution (“MPI”) licence under the PSA for stablecoin issuance service, or be a licensed bank that is exempt from holding an MPI licence.¹⁸ Presently, stablecoins that are issued out of multiple jurisdictions would not qualify as MAS-regulated stablecoins under the SCS Framework, in the light of practical difficulties with MAS extending its regulatory supervision over issuers based outside Singapore and reserve assets held outside Singapore.¹⁹

7 Single-currency stablecoins bear many similarities to “e-money”, which is an existing regulated payment instrument under the PSA. The term “e-money” refers to:²⁰

... any electronically stored monetary value that —

(a) is denominated in any currency, or pegged by its issuer to any currency;

¹⁶ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at para 3.5(a).

¹⁷ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at para 3.5(b).

¹⁸ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at paras 4.1–4.6.

¹⁹ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) at paras 5.3–5.4.

²⁰ Payment Services Act 2019 (2020 Rev Ed) s 2(1).

(b) has been paid for in advance to enable the making of payment transactions^[21] through the use of a payment account;^[22]

(c) is accepted by a person other than its issuer; and

(d) represents a claim on its issuer,

but does not include any deposit accepted in Singapore, from any person in Singapore ...

8 In particular, MAS-regulated stablecoins appear to satisfy limbs (c) and (d) of “e-money” set out above as they are accepted for payment by a person other than its issuer, and represent a claim on its issuer at redemption.

9 However, two key distinctions are that first, holders of MAS-regulated stablecoins do not need to have money paid in advance to the issuer in order to obtain or use the MAS-regulated stablecoins for peer-to-peer transfers or payments for goods and services. MAS clarified that:²³

E-money is typically an account-based instrument where the e-money user has to first be onboarded by the e-money issuer as a customer before the e-money can be held by the user. Where the e-money takes a tokenised form and can be transferred on a peer-to-peer basis without going through the issuer, it would

²¹ “Payment transaction” means “the placing, transfer or withdrawal of money, whether for the purpose of paying for goods or services or for any other purpose, and regardless of whether the intended recipient of the money is entitled to the money”: Payment Services Act 2019 (2020 Rev Ed) s 2(1).

²² Under s 2(1) of the Payment Services Act 2019 (2020 Rev Ed), a “payment account”:

(a) means any account, or any device or facility (whether in physical or electronic form), that —

(i) is held in the name, or associated with the unique identifier, of any person, and is used by that person for the initiation of a payment order or the execution of a payment transaction, or both; or

(ii) is held in the names, or associated with the unique identifiers, of 2 or more persons, and is used by any of those persons for the initiation of a payment order or the execution of a payment transaction, or both; and

(b) includes a bank account, debit card, credit card or charge card.

‘Payment order’ means ‘an instruction to a payment service provider requesting for the execution of a payment transaction’.

²³ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at para 3.7.

be carved out from e-money and treated as [single-currency stablecoins].

10 In other words, it would appear that a holder of an MAS-regulated stablecoin does not need to have any contractual relationship with the issuer in order to receive, transfer, hold or use the MAS-regulated stablecoin. This would imply that limb (b) of “e-money” set out above is not satisfied.

11 Second, unlike e-money which is a digital representation of the monetary value of the currency that it is denominated in, it appears possible that the value of MAS-regulated stablecoins may fluctuate (however slightly) when traded on exchanges.²⁴ MAS observed that the exchange rate of a single-currency stablecoin to the currency it references may vary, when used, traded or offered by third-party service providers.²⁵ Accordingly, such stablecoins would not appear to satisfy limb (a) of “e-money” set out above.

B. Digital payment tokens

12 Stablecoins that do not qualify as “MAS-regulated stablecoins” could potentially fall within the scope of “digital payment tokens”, if they satisfy the statutory definition of “digital payment tokens” as follows:²⁶

... any digital representation of value (other than an excluded digital representation of value) that —

- (a) is expressed as a unit;
- (b) is not denominated in any currency, and is not pegged by its issuer to any currency;

²⁴ Monetary Authority of Singapore, *Payment Services Act 2019: Frequently Asked Questions (FAQs) on the Payment Services Act (PS Act)* (19 April 2024) at paras 23.1–23.2.

²⁵ Monetary Authority of Singapore, *Payment Services Act 2019: Frequently Asked Questions (FAQs) on the Payment Services Act (PS Act)* (19 April 2024) at para 23.4.

²⁶ Payment Services Act 2019 (2020 Rev Ed) s 2(1). As of 15 October 2024, the Monetary Authority of Singapore has not prescribed any other characteristics of digital payment tokens. Examples of digital payment tokens are Bitcoin and Ether – see Monetary Authority of Singapore, *Consultation on the Payment Services Act 2019: Scope of E-money and Digital Payment Tokens* (23 December 2019) at para 3.3.

(c) is, or is intended to be, a medium of exchange accepted by the public, or a section of the public, as payment for goods or services or for the discharge of a debt;

(d) can be transferred, stored or traded electronically; and

(e) satisfies such other characteristics as [MAS] may prescribe.

13 Some examples of stablecoins that could potentially be regarded as digital payment tokens instead of MAS-regulated stablecoins include:

(a) those that are pegged to more than one currency, a basket of currencies, or the value of one or more commodities or cryptocurrencies;

(b) those that are algorithmically-backed, backed by reserve assets that are not fully composed of cash or cash-equivalent assets, or not backed by any reserve asset at all; and

(c) those that are issued outside Singapore, or in multiple jurisdictions.

III. Similarities and differences in regulatory treatment applicable to different types of stablecoins

A. *PSA licensing requirements*

14 PSA licensing requirements could potentially apply to both issuers of MAS-regulated stablecoins and issuers of stablecoins that are characterised as digital payment tokens.

(1) *Issuers of MAS-regulated stablecoins*

15 An entity that carries on (or intends to carry on) business in Singapore of providing a “stablecoin issuance service” where the value of its single-currency stablecoins in circulation exceeds (or is anticipated to exceed) \$5m, will be required to hold an MPI licence under the SCS Framework, unless an

exemption applies.²⁷ The scope of “stablecoin issuance service” is contemplated to encapsulate the necessary activities that a stablecoin issuer undertakes, including controlling the total supply, minting, burning and custody of the stablecoins issued by the issuer, and management of the reserve assets backing the stablecoins.²⁸

16 MAS-licensed banks that wish to issue MAS-regulated stablecoins would be able to rely on the existing licensing exemption for licensed banks providing regulated payment services under the PSA,²⁹ and hence would not be required to separately hold an MPI licence.³⁰ However, bank issuers of MAS-regulated stablecoins would need to comply with the ongoing business conduct obligations applicable to issuers regulated under the SCS Framework, except for the prudential requirements,³¹

²⁷ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at paras 4.2–4.3. If the value of single-currency stablecoins in circulation does not, or is not anticipated to, exceed \$5m, the issuer will not be regulated under the SCS Framework and will not be subject to the ongoing business conduct requirements applicable to issuers regulated under the SCS Framework. This is intended to facilitate innovation in this space. However, the issuer may be required to obtain a standard payment institution licence if the issuer provides any digital payment token service, where the average monthly value of transactions processed does not exceed the relevant size threshold. An issuer who nevertheless wishes to be recognised as an issuer of MAS-regulated stablecoins may still be able to apply for an MPI licence to conduct stablecoin issuance service and be subject to the additional requirements under the SCS Framework.

²⁸ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at para 3.6; *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) at para 2.7.

²⁹ Payment Services Act 2019 (2020 Rev Ed) s 13(1).

³⁰ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at para 4.4. At present, stablecoins that represent tokenised bank liabilities will be excluded from the scope of the SCS Framework, given that there are differences in the value-stabilising mechanisms used for fully reserve asset-backed stablecoins and tokenised bank liabilities and thus different risks posed to users. See Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) at para 2.14.

³¹ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at para 4.6.

given that banks are already subject to stringent prudential requirements under the Banking Act 1970.³²

17 It is important to note that only entities that hold an MPI licence for stablecoin issuance service (or are otherwise exempt) would be recognised as issuers of MAS-regulated stablecoins, and only such entities are permitted to use the label “MAS-regulated stablecoins” for their stablecoins. To avoid misleading the public, all other DPTSPs and persons will be prohibited from using the term “MAS-regulated stablecoin” or its derivatives to refer to stablecoins that are not regulated under the SCS Framework. Contravention of this prohibition may be punishable with financial penalties or imprisonment (in the case of individuals).³³

(2) *Issuers of digital payment tokens and other DPTSPs*

18 Unless an exemption applies, an issuer of stablecoins that are characterised as digital payment tokens would *prima facie* be required to hold a standard payment institution (“SPI”) licence, or an MPI licence under the PSA if the average monthly value of transactions processed exceeds a certain threshold.³⁴ This is on the basis that such stablecoins are issued or sold in exchange for any money or other digital payment token, with system, continuity and repetition in Singapore.³⁵

³² 2020 Rev Ed.

³³ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) at para 2.18.

³⁴ If the entity is only providing digital payment token services (and no other regulated payment services), the applicable threshold is S\$3m (or its equivalent in foreign currency). If the entity is providing digital payment token services and one or more other regulated payment services, the applicable threshold is S\$6m (or its equivalent in foreign currency).

³⁵ See Monetary Authority of Singapore, *Payment Services Act 2019: Frequently Asked Questions (FAQs) on the Payment Services Act (PS Act)* (19 April 2024) at paras 13.1–13.2. The question of whether the relevant activity is conducted with system, continuity and repetition is relevant for assessing whether the activity is carried on as a business. This could be a key differentiating factor in determining whether the PSA licensing requirement applies to an issuer in an initial coin offering (“ICO”) and an issuer of stablecoins that are characterised as digital payment tokens. Typically, an ICO is conducted on a one-off basis, whereas the issuance of stablecoins is conducted on a systematic, continuous and repetitive basis.

19 A person that carries on the business of providing any other type of regulated service in respect of stablecoins that are characterised as digital payment tokens would *prima facie* also be subject to the PSA licensing requirement, unless an exemption applies. The scope of digital payment token services presently regulated under the PSA is briefly summarised as follows:³⁶

- (a) buying or selling digital payment tokens;
- (b) establishing or operating a digital payment token exchange;
- (c) inducing or facilitating the buying or selling of digital payment tokens;
- (d) providing transfer services in respect of digital payment tokens; and
- (e) providing custodial services in respect of customers' digital payment tokens and/or private keys.

B. Ongoing business conduct obligations

20 Issuers regulated under the SCS Framework³⁷ (“Regulated SCS Issuers”) and DPTSPs regulated under the PSA (“Regulated DPTSPs”) would be subject to ongoing business conduct obligations.³⁸

21 The obligations imposed on Regulated SCS Issuers and Regulated DPTSPs that relate to anti-money laundering and countering the financing of terrorism (“AML/CFT”), technology and cyber risk management would be similar³⁹ as both types of regulated entities would face similar money laundering/terrorism financing, technology and cyber risks. Both Regulated

³⁶ For the full statutory definition of “digital payment token service”, see the First Schedule to the Payment Services Act 2019 (2020 Rev Ed).

³⁷ Namely, entities holding an MPI licence for stablecoin issuance services, as well as bank issuers that are exempt from holding an MPI licence for stablecoin issuance services.

³⁸ This article highlights only certain key ongoing business conduct obligations, and does not intend nor attempt to provide a complete or exhaustive list of all the applicable ongoing business conduct obligations.

³⁹ Monetary Authority of Singapore, *Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities* (26 October 2022) at para 4.10.

SCS Issuers and Regulated DPTSPs would be subject to base capital maintenance and other prudential requirements, safeguarding, segregation and custody requirements, customer disclosure requirements, as well as restrictions in conducting certain business activities, though there could be differences in the precise requirements.

22 The key differences in the ongoing business conduct obligations arise from the different policy objectives underpinning the SCS Framework and the regulation of DPTSPs.

23 As discussed above, a key driver for introducing the SCS Framework is to ensure a high degree of value stability in MAS-regulated stablecoins. Accordingly, Regulated SCS Issuers would be subject to requirements relating to the composition, valuation and independent attestation of the reserve assets backing the value of the MAS-regulated stablecoins, as well as requirements relating to timely redemption at par by holders of the MAS-regulated stablecoins.

24 On the other hand, there has been an increased focus on consumer protection for customers of DPTSPs. Accordingly, MAS issued the *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers*⁴⁰ (“Consumer Protection Guidelines”) on 2 April 2024, which were recently updated on 19 September 2024. The Consumer Protection Guidelines aim to mitigate the risks of consumer harm arising from dealing in digital payment tokens, and to promote the adoption of sound and robust practices by DPTSPs.⁴¹ The first set of consumer protection requirements (primarily those relating to safeguarding and segregation of customer assets, customer disclosure, and risk management controls) came into force on 4 October 2024. The second set of consumer protection requirements (namely those relating to consumer access,

⁴⁰ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024).

⁴¹ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at paras 1.1.4–1.1.5.

mitigation of conflicts of interests, listing and governance framework for digital payment tokens, and complaints handling and dispute resolution) will come into force on 19 June 2025.

25 The tables below set out a brief bullet-point summary of some of the key ongoing business conduct obligations applicable to Regulated SCS Issuers and Regulated DPTSPs.

	Regulated SCS Issuers	Regulated DPTSPs
Ongoing business conduct obligations applicable to Regulated SCS Issuers and Regulated DPTSPs		
AML/CFT requirements	Existing AML/CFT requirements, eg, customer due diligence, travel rule and screening, will apply. ⁴²	
Technology and cyber risk management requirements	Existing technology and cyber risk management requirements will apply. ⁴³	
Base capital and other prudential requirements	<ul style="list-style-type: none"> Minimum base capital: higher of S\$1m or 50% of annual operating expenses (“OPEX”).⁴⁴ 	<ul style="list-style-type: none"> Minimum base capital:⁴⁵ <ul style="list-style-type: none"> for SPIs: S\$100,000 for MPIS: S\$250,000

⁴² See, eg, Monetary Authority of Singapore, *Notice on Prevention of Money Laundering and Countering the Financing of Terrorism – Holders of Payment Services Licence (Digital Payment Token Service)* (MAS Notice No PSN02, 2 April 2024) and Monetary Authority of Singapore, *Guidelines to MAS Notice PSN02 on Prevention of Money Laundering and Countering the Financing of Terrorism* (2 April 2024).

⁴³ See, eg, Monetary Authority of Singapore, *Technology Risk Management Guidelines* (18 January 2021), Monetary Authority of Singapore, *Notice on Technology Risk Management* (MAS Notice No FSM-N13, 9 May 2024) and Monetary Authority of Singapore, *Notice on Cyber Hygiene* (MAS Notice No FSM-N14, 9 May 2024).

⁴⁴ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A. This would not apply to Regulated SCS Issuers that are MAS-licensed banks; given that MAS-licensed banks are already subject to stringent prudential requirements under the Banking Act 1970 (2020 Rev Ed).

⁴⁵ Payment Services Act 2019 (2020 Rev Ed) s 6(9)(d), read with Payment Services Regulations 2019 r 8.

A Guide to the Regulatory Treatment of Stablecoins Under the Singapore Payment Services Act 2019

	<ul style="list-style-type: none"> • Solvency: to hold, at all times, liquid assets which are valued at higher of 50% of annual OPEX or an amount assessed to achieve recovery/orderly wind-down (the latter amount to be independently verified on an annual basis).⁴⁶ • Reserve assets to be held in segregated accounts on trust, with permitted custodians as follows:⁴⁸ 	<ul style="list-style-type: none"> • Security deposit for MPIS: ranging from S\$100,000 to S\$200,000 in the form of a cash deposit with MAS or a bank guarantee in the prescribed format, to be provided.⁴⁷
<p>Safeguarding, segregation and custody requirements</p>		<ul style="list-style-type: none"> • Relevant moneys received from, or on account of, customers in respect of the provision of a digital payment token service to be safeguarded.⁴⁹

⁴⁶ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A. This would not apply to Regulated SCS Issuers that are MAS-licensed banks, given that MAS-licensed banks are already subject to stringent prudential requirements under the Banking Act 1970 (2020 Rev Ed).

⁴⁷ Payment Services Act 2019 (2020 Rev Ed) s 22(1), read with Payment Services Regulations 2019 r 13.

⁴⁸ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

⁴⁹ Payment Services Act 2019 (2020 Rev Ed) s 23, read with Payment Services Regulations 2019 rr 13A and 13B. This requirement came into force on 4 October 2024.

	<ul style="list-style-type: none"> o financial institutions licensed for custodial services in Singapore by MAS; or o overseas-based custodians, with minimum credit rating of “A-” which have a branch in Singapore regulated by MAS to provide custodial services. 	<ul style="list-style-type: none"> • Customers’ assets (including digital payment tokens) to be segregated from the Regulated DPTSP’s own assets, and held in a trust account for customers.⁵⁰ • Segregation of personnel responsible for safeguarding customers’ assets, and personnel responsible for making investment decisions, trading decisions or other discretionary decisions resulting in the transfer or disposal of customers’ assets.⁵¹
--	--	---

⁵⁰ Payment Services Regulations 2019 rr 18A–18J. See also Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024), at paras 3.2 and 3.3. This requirement came into force on 4 October 2024.

⁵¹ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at para 5.3. This requirement came into force on 4 October 2024.

<p>Customer disclosure requirements</p>	<ul style="list-style-type: none"> • White paper to be issued, disclosing details such as, but not limited to:⁵² <ul style="list-style-type: none"> ◦ general information of the issuer; ◦ operations of the stablecoin (including value-stabilising mechanism and technology adopted); ◦ risks arising from the use of the stablecoin; and ◦ rights and obligations related to the stablecoin (eg, redemption). 	<ul style="list-style-type: none"> • Prescribed risk warning statements under the “Notice on Disclosures and Communications”⁵³ to be provided to all customers and potential customers. • Disclosure of certain prescribed matters in the Regulated DPTSP’s customer-facing terms and conditions and on the Regulated DPTSP’s public-facing platform, including, but not limited to:⁵⁴
--	---	--

⁵² Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

⁵³ Monetary Authority of Singapore, *Notice on Disclosures and Communications* (MAS Notice No FSN08, amended 2 April 2024).

⁵⁴ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at paras 3.3.3, 3.3.4, 3.4.6, 3.4.7, 3.4.9, 3.5.1 and 3.5.2. These requirements came into force on 4 October 2024.

<ul style="list-style-type: none"> o the arrangements and terms and conditions (including fees and costs) for safeguarding of customers' assets; o the relevant implications if customers' assets are safeguarded by overseas custodians; and o the processes for handling any losses of customers' assets arising from fraud or negligence on the part of the Regulated DPTSP. <ul style="list-style-type: none"> • Monthly statements of account to be provided to customers, unless the customer has opted out in writing.⁵⁵ 		
	<p>Prohibition on granting any credit facility to any individual in Singapore.⁵⁶</p>	<p>Restrictions in conducting certain business activities</p>

⁵⁵ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024.) at para 3.6. This requirement came into force on 4 October 2024.

⁵⁶ Payment Services Act 2019 (2020 Rev Ed) s 20(1).

	<ul style="list-style-type: none"> Regulated SCS Issuers are not permitted to undertake other activities or provide other non-issuance services that introduce additional risks to themselves (eg, lending, staking, dealing in digital payment tokens).⁵⁷ 	<ul style="list-style-type: none"> Regulated DPTSPs are prohibited from enticing a retail customer, or carrying out any transaction on behalf of a retail customer that allows the retail customer, to.⁵⁸
--	--	---

⁵⁷ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

⁵⁸ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at para 3.7.1. These prohibitions came into force on 4 October 2024. If the Regulated DPTSP intends to carry out any of the abovementioned transactions on behalf of a non-retail customer, the Regulated DPTSP must provide clear written disclosures of the risks of such transactions to the customer and obtain the customer's written acknowledgment of the risks. "Retail customers" refer to customers that are not (a) accredited investors (these generally refer to high net worth individuals, or corporate entities with net assets exceeding \$10m); (b) institutional investors (these include, among others, regulated financial institutions such as banks and capital markets services licence holders, but do not include payment service providers); (c) DPTSPs; or (d) foreign entities that carry on business of providing the equivalent of a digital payment token service outside of Singapore and are regulated by a financial regulatory authority. In addition, persons who satisfy the prescribed wealth or net asset thresholds for accredited investors would need to opt in as accredited investors, ie, provide their informed consent to being treated as accredited investors by the Regulated DPTSP. See Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at paras 2.1.2-2.3.7 for further details.

<ul style="list-style-type: none"> • Regulated SCS Issuers cannot have a stake in any entity (eg, a group entity) that conducts such other activities or provides such other services.⁵⁹ 	<ul style="list-style-type: none"> ◦ mortgage, charge, pledge or hypothecate any asset belonging to the retail customer; ◦ lend, or arrange to lend, any asset belonging to the retail customer; or ◦ stake, or arrange to stake, any asset belonging to the retail customer.
<ul style="list-style-type: none"> • Regulated DPTSPs are restricted from marketing and promoting digital payment token services to the general public under the Guidelines on Provision of Digital Payment Token Services to the Public.⁶⁰ • Regulated DPTSPs are generally not permitted to: <ul style="list-style-type: none"> ◦ offer any payment token derivatives services, including entering into a payment token derivatives contract with a retail customer, or facilitating or inducing a retail customer to enter into any payment token derivatives contract.⁶¹ 	

⁵⁹ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

⁶⁰ Monetary Authority of Singapore, *Guidelines on Provision of Digital Payment Token Services to the Public* (PS-G02, 17 January 2022).

⁶¹ Monetary Authority of Singapore, *Guidelines on Provision of Digital Payment Token Services to the Public* (PS-G02, 17 January 2022) at para 4.3. See also Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024), at paras 4-4.1(d)-4-4.1(e) – this restriction will come into force on 19 June 2025.

		<ul style="list-style-type: none"> o provide any credit facility, or loan of digital payment tokens, to a retail customer to facilitate the retail customer's purchase or continued holdings of digital payment tokens;⁶² o enter into any leveraged digital payment token transaction with a retail customer, or facilitate or induce a retail customer to enter into any leveraged digital payment token transaction with any other person;⁶³ or o accept any payment by a retail customer using a credit card or charge card, in connection with the provision of any digital payment token service.⁶⁴
--	--	---

⁶² Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at para 4.4.1(a). This restriction will come into force on 19 June 2025.

⁶³ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at paras 4.4.1(b) and 4.4.1(c). This restriction will come into force on 19 June 2025.

⁶⁴ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at para 4.4.1(f). This restriction will come into force on 19 June 2025.

Requirements applicable to Regulated SCS Issuers for purposes of ensuring a high degree of value stability in MAS-regulated stablecoins, and timely redemption at par⁶⁵

Reserve assets	<ul style="list-style-type: none">• Reserve assets have to be:⁶⁶<ul style="list-style-type: none">○ denominated in the currency of the stablecoin peg; and○ held in cash or cash equivalents or debt securities with up to three-month residual maturity and issued by (a) the government or central bank of the pegged currency; or (b) organisations that are of both a governmental and international character with a minimum credit rating of “AA-”.• Valuation of reserve assets must be:⁶⁷<ul style="list-style-type: none">○ at least equivalent to 100% of the par value of the MAS-regulated stablecoins in circulation at all times; and○ carried out on a marked-to-market basis daily.• Independent attestation and audit:⁶⁸<ul style="list-style-type: none">○ Reserve assets independently attested to on a monthly basis. Attestation report to be disclosed on the Regulated SCS Issuer’s website and submitted to MAS.○ Annual audit to be conducted on reserve assets and the audit report to be submitted to MAS.
-----------------------	---

⁶⁵ These requirements do not apply to Regulated DPTSPs.

⁶⁶ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

⁶⁷ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

⁶⁸ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

**A Guide to the Regulatory Treatment of Stablecoins Under the
Singapore Payment Services Act 2019**

Redemption at par	<ul style="list-style-type: none">• Holders of the MAS-regulated stablecoins to have direct legal claim against the Regulated SCS Issuer for redemption at par.⁶⁹• Regulated SCS Issuer to allow redemption requests to be made anytime.⁷⁰• Redemption to be made in a timely manner (no later than five business days from the date when a legitimate redemption request is received).⁷¹• Redemption conditions (if any) must be reasonable and disclosed upfront.⁷²
--------------------------	--

⁶⁹ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

⁷⁰ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

⁷¹ Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

⁷² Monetary Authority of Singapore, *Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-related Activities* (15 August 2023) Annex A.

Requirements relating to risk management controls, consumer access, mitigation of conflicts of interests, listing and governance framework for digital payment tokens, and complaints handling and dispute resolution that are applicable to Regulated DPTSPs for consumer protection purposes⁷³	
Risk management controls	Risk management systems and controls to be put in place to securely store customers' assets, and to prevent (among others) unauthorised access, transfer or loss of the customers' assets or private keys. ⁷⁴
Consumer access	<ul style="list-style-type: none"> • Risk awareness assessment to be conducted prior to providing digital payment token services to a retail customer (who is an individual), to assess whether the retail customer has sufficient knowledge of the risks of such digital payment token services. Where a retail customer fails the risk awareness assessment, the Regulated DPTSP should not provide any digital payment token service to that retail customer.⁷⁵ • Restrictions on offering incentives or gifts to entice any retail customer to engage the digital payment token services provided by a Regulated DPTSP without fully considering the risks involved, including offering incentives or gifts in connection with promoting and/or referring the digital payment token services to any prospective or existing retail customer.⁷⁶

⁷³ These requirements do not apply to Regulated SCS Issuers.

⁷⁴ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-GS03, last revised on 19 September 2024) at para 3.4. This requirement came into force on 4 October 2024.

⁷⁵ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at para 4.2. This requirement will come into force on 19 June 2025.

⁷⁶ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at para 4.3. These restrictions will come into force on 19 June 2025.

**A Guide to the Regulatory Treatment of Stablecoins Under the
Singapore Payment Services Act 2019**

Mitigation of conflicts of interests	<ul style="list-style-type: none">• Written policies and procedures to be put in place to identify, manage and mitigate any potential or actual conflicts of interests that could arise in the course of the Regulated DPTSP's business, which should be reviewed periodically and its effectiveness monitored.⁷⁷• All potential or actual conflicts of interests, as well as the relevant mitigating measures and controls, to be disclosed to the Regulated DPTSP's customers.⁷⁸• Where the Regulated DPTSP is (a) operating vertically integrated business models by conducting multiple types of digital payment token trading activities through a single legal entity or through related entities in the group; and/or (b) offering digital payment tokens issued by itself or its related corporation for trading with its customers, to put in place the relevant risk mitigating measures meant to specifically address potential or actual conflicts of interests arising from such activities, and to disclose the relevant areas of concern to customers.⁷⁹
Listing and governance framework for digital payment tokens	To publish the Regulated DPTSP's policies and procedures relating to how it (a) evaluates the digital payment tokens it intends to support; (b) conducts periodic reviews on supported digital payment tokens; and (c) suspends, delists or ceases support for digital payment tokens, in order to provide customers with greater clarity and transparency. ⁸⁰

⁷⁷ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at paras 5.2.1–5.2.4. These requirements will come into force on 19 June 2025.

⁷⁸ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at paras 5.2.5–5.2.6. This requirement will come into force on 19 June 2025.

⁷⁹ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at paras 5.4 and 5.5. These requirements will come into force on 19 June 2025.

⁸⁰ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at paras 5.4 and 5.5. These requirements will come into force on 19 June 2025.
(cont'd on the next page)

Complaints handling and dispute resolution	<ul style="list-style-type: none">• Written policies and procedures to be put in place to handle customer complaints in a fair, independent, timely and effective manner.⁸¹• An independent complaints handling unit to be established, which comprises personnel who are not directly involved in providing any digital payment token service.⁸²• To avoid unduly restricting the rights of retail customers to reasonably seek legal recourse. In this regard, Regulated DPTSPs should resolve disputes with retail customers using any of the principal modes of dispute resolution available in Singapore, such as mediation, arbitration and litigation in the Singapore courts.⁸³
---	--

IV. Conclusion

26 Determining the applicable regulatory framework is an important first step in evaluating whether a Singapore payment (or financial) services licence is needed, and in assessing the feasibility of complying with the applicable ongoing business conduct obligations. In this regard, entities that are looking to issue stablecoins in Singapore should first assess the characteristics of the stablecoin in order to determine whether the stablecoin would be regarded as any regulated payment instrument under the PSA (or any other regulated financial product under Singapore laws), and also assess whether their proposed activities and services in

revised on 19 September 2024) at para 6.2. This requirement will come into force on 19 June 2025.

⁸¹ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at paras 6.3.1, 6.3.2, 6.3.3 and 6.3.6. This requirement will come into force on 19 June 2025.

⁸² Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at paras 6.3.4 and 6.3.5. This requirement will come into force on 19 June 2025.

⁸³ Monetary Authority of Singapore, *Guidelines on the Provision of Consumer Protection Safeguards by Digital Payment Token Service Providers* (PS-G03, last revised on 19 September 2024) at para 6.3.7. This requirement will come into force on 19 June 2025.

respect of the stablecoin would constitute any regulated payment (or financial) service in Singapore.

27 Further, as the payment landscapes in Singapore, regionally and globally continue to evolve, existing industry players and prospective entrants should regularly monitor the regulatory developments in this space.