

Media Releases

Published Date: 26 October 2022

MAS proposes measures to reduce risks to consumers from cryptocurrency trading and enhance standards of stablecoin-related activities

Singapore, 26 October 2022... The Monetary Authority of Singapore (MAS) today published two consultation papers proposing regulatory measures to reduce the risk of consumer harm from cryptocurrency trading and to support the development of stablecoins as a credible medium of exchange in the digital asset ecosystem. These measures will be part of the Payment Services Act.

2. Trading in cryptocurrencies (also known as digital payment tokens or DPTs) is highly risky and not suitable for the general public. However, cryptocurrencies play a supporting role in the broader digital asset ecosystem, and it would not be feasible to ban them. Therefore, to reduce the risk to consumers from speculative trading in cryptocurrencies, MAS will require that DPT service providers ensure proper business conduct and adequate risk disclosure.

3. The proposed measures cover three broad areas –

- **Consumer Access.** DPT service providers will be required to provide relevant risk disclosures to enable retail consumers to make informed decisions regarding cryptocurrency trading. They must also disallow the use of credit facilities and leverage by retail consumers for cryptocurrency trading.

- **Business Conduct.** DPT service providers will be required to implement proper segregation of customers' assets, mitigate any potential conflicts of interest which arise from the multiple roles they perform, and establish processes for complaints handling.

- **Technology Risks.** Similar to other financial institutions such as banks, DPT service providers will be required to maintain high availability and recoverability of their critical systems.

4. Notwithstanding these regulatory measures, consumers must continue to exercise utmost caution when trading in DPTs and must

take responsibility for such trading. Regulations cannot protect consumers from losses arising from the inherently speculative and highly risky nature of DPT trading.

5. Stablecoins have the potential to be a medium of exchange to facilitate transactions in the digital asset ecosystem, provided they are well-regulated and securely backed. The current regulatory framework, which primarily addresses money laundering and terrorism financing risks, and technology and cyber risks, will be expanded to ensure that regulated stablecoins have a high degree of value stability.

6. MAS will regulate the issuance of stablecoins which are pegged to a single currency (“SCS”) where the value of SCS in circulation exceeds S\$5 million. The key proposed issuer requirements relate to –

- **Value Stability.** SCS issuers must hold reserve assets in cash, cash equivalents or short-dated sovereign debt securities^[1] that are at least equivalent to 100% of the par value of the outstanding SCS in circulation, and these assets must be denominated in the same currency as the pegged currency. Requirements on audit and segregation of reserves, and timely redemption at par value will also apply.

- **Reference Currency.** All SCS issued in Singapore can be pegged only to the Singapore dollar or any Group of Ten (G10) currencies.^[2]

- **Disclosures.** Stablecoin issuers will be required to publish a white paper disclosing details of the SCS, including the redemption rights of stablecoin holders.

- **Prudential Standards.** SCS issuers must, at all times, meet a base capital requirement of the higher of S\$1 million or 50% of annual operating expenses of the SCS issuer. They are also required to hold liquid assets 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.

7. Banks in Singapore will be allowed to issue SCS as well, and no additional reserve backing and prudential requirements will apply when the SCS is issued as a tokenised form of bank liabilities given the existing rigorous capital and liquidity frameworks applied to banks. For non-issuance services, DPT service providers can offer all types of stablecoins provided that they clearly label the MAS-regulated SCS to distinguish them from the unregulated ones. This will help customers make informed decisions on the risks involved in using unregulated stablecoins.

8. Ms Ho Hern Shin, Deputy Managing Director (Financial Supervision), MAS, said, “The two sets of proposed measures mark the next milestone in enhancing Singapore’s regulatory approach to foster an innovative and responsible digital asset ecosystem. Regulations go hand-in-hand with innovation in financial services. The enhanced regulatory regime for stablecoins aims to support the development of value-adding payment use cases for stablecoins in Singapore. As we continue to partner industry players to explore the potential benefits of tokenisation and distributed ledger technology, MAS will make appropriate adjustments to its regulatory regime to address the associated risks.”

9. For more details, please refer to the consultation papers [here](#) on proposed measures for digital payment token services, and [here](#) on proposed regulatory approach for stablecoins. MAS invites interested parties to submit their comments on the proposals by 21 December 2022.

[1] This refers to debt securities with no more than three months residual maturity and are issued by (i) the central bank of the pegged

currency; or (ii) organisations that are of both a governmental and international character with a credit rating of at least “AA–”.

[2] 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.