Fiat-backed stablecoins

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

In the dominant model an issuer holds reserves of fiat currency and short-dated government securities and issues tokens against them one for one. Holders who satisfy the issuer's onboarding requirements may redeem tokens for fiat at par. Secondary holders, who are most of the market, have no direct relationship with the issuer and rely on arbitrage by the primary holders to keep the market price at par.

The legal analysis under Swiss law starts with the Banking Act. FINMA's 2019 supplement treated a token that gives its holder a claim to redemption in fiat currency at a fixed value as a deposit, because the issuer is accepting money from the public and promising to repay it. Deposit-taking from the public requires a banking licence under Art. 1a BankA, or a fintech licence under Art. 1b BankA if the total does not exceed CHF 100 million and the funds are neither invested nor bear interest.[1] The Swiss market responded by having stablecoins issued by licensed banks or by having issuers obtain a bank guarantee for the redemption claim, which under Art. 5 para. 3 lit. f of the Banking Ordinance removes the deposit characterisation.

FINMA Guidance 06/2024 of 26 July 2024 criticised the guarantee construction sharply. FINMA observed that holders of a guaranteed stablecoin have no customer relationship with the guaranteeing bank, that the bank's AML duties toward the

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

ultimate holders are unclear, and that the guarantee may fail in practice because the bank's exposure is capped while the stablecoin's supply is not. It set out minimum requirements for any guarantee it will accept: the guarantee must cover at least the full amount of all outstanding tokens plus a margin, each holder must have a direct claim against the bank, and the issuer must identify every holder in the same way as a bank identifies its depositors.[2] The last requirement is the one that bites. A Swiss issuer that must identify every holder cannot operate a freely transferable stablecoin at all, and the guidance has in practice confined Swiss franc stablecoins to closed-loop and institutional use.

The Federal Council has since moved toward a dedicated statutory regime. Its consultation on amendments to the financial market acts, which introduces licence categories for "payment instrument institutions" and "crypto institutions", was open in the first half of 2026 and would, if enacted, give stablecoin issuers a licence of their own below the banking licence.[3]

Singapore's approach began from the e-money definition and arrived at a bespoke framework. On 15 August 2023 MAS published its final regulatory approach for single-currency stablecoins (SCS) pegged to the Singapore dollar or to any G10 currency and issued in Singapore. The framework requires reserves held in cash, cash equivalents or three-month government debt of the reference currency, valued daily at not less than 100 per cent of the tokens in circulation, held with regulated custodians and segregated from the issuer's own assets. The issuer must hold base capital of the higher of S$ 1 million or 50 per cent of annual operating expenses, must redeem at par within five business days of a request, and must publish a white paper and monthly independent attestations of the reserve. Only an issuer that meets these conditions may call its token an "MAS-regulated stablecoin".[4]

The framework required legislation to be implemented, and MAS published draft amendments to the Payment Services Act for consultation in 2025. The author's understanding at the cut-off date is that the legislation had not yet entered into force, so that SCS issuers continued to operate under the existing e-money or DPT regimes with MAS's framework as a published expectation.

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

Requirement	Switzerland (FINMA 2019/2024 practice)	Singapore (MAS SCS framework 2023)	EU (MiCA EMT)
Legal form of issuer	Bank, fintech licensee, or issuer with compliant bank guarantee	Bank or MPI licensee meeting SCS conditions	Credit institution or e-money institution
Reference currency	Any; CHF in practice	SGD or any G10 currency	Any official currency
Reserve composition	Not prescribed in statute; deposit rules apply	Cash, cash equivalents, 3-month government debt of reference currency	Deposits and highly liquid instruments; 30 % minimum in deposits for significant EMTs
Reserve coverage	Full deposit protection or full guarantee	At least 100 % daily	At least 100 %
Redemption	Deposit claim at par	At par within 5 business days	At par at any time, free of charge
Holder identification	Every holder, if guarantee route (FINMA 06/2024)	Issuer's own customers under PSN02	CASP-level KYC; issuer identifies redeemers
Interest to holders	Not under fintech licence	Not addressed; e-money rules prohibit	Prohibited
Label	None	"MAS-regulated stablecoin"	None; white paper notification

Notes

1. Banking Act, SR 952.0, Art. 1a (banks) and Art. 1b (persons under Art. 1b, the fintech licence, with the CHF 100 million ceiling), as amended by the Federal Act of 15 June 2018, AS 2018 5247, in force 1 January 2019. Part E, Chapter II. ↩

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

2. FINMA Guidance 06/2024 of 26 July 2024 on stablecoins (FINMA-Aufsichtsmitteilung 06/2024), sections 2 to 4 (risks of the default guarantee construction; minimum requirements; AML duties of the issuer toward every holder). Part E, Chapter VII. ↩
3. Federal Council, consultation on the amendment of the Banking Act and the Financial Institutions Act to regulate stablecoins and crypto-asset service providers, opened in late 2025 (SIF fact sheet "Stablecoins"). The consultation proposed new categories of payment instrument institution and crypto institution. Part C, Chapter VI and Part E, Chapter VII. ↩
4. MAS, Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-Related Activities, 15 August 2023, sections 3 to 7 (reserve composition and valuation; capital; redemption at par within five business days; disclosure; the "MAS-regulated stablecoin" label). Part K, Chapter VI. ↩

Disclaimer

This article is provided for general information only. It is based on publicly available sources as at its date of publication. These sources have not been independently verified against licences, regulatory registers or the records of the entities concerned. It is not legal, tax, financial or investment advice. Nor is it a recommendation to invest in, transact with or use the services of any entity mentioned. Law and regulation change frequently, so the content may be incomplete or outdated. To the fullest extent permitted by law, Dr Alexander Ressos and the publisher of SingaporeIQ exclude all liability for loss or damage arising from the use of or reliance on this article. Readers should obtain advice on their specific circumstances before acting or refraining from action.

Names and trademarks of the entities discussed belong to their owners and are used for identification only. Their mention implies no endorsement, affiliation or allegation of wrongdoing. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. Corrections and updates: contact@ressos.com.

© 2026 Dr Alexander Ressos. This article may be quoted with attribution to SingaporeIQ (SingaporeIQ.com). Reproduction in full and any commercial use require prior written consent. The Legal Terms at https://singaporeiq.com/legal-terms apply.

Author contact: Dr Alexander Ressos, TEP · contact@ressos.com

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.