Interaction with the e-money regime

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Until the stablecoin issuance service is enacted, an SCS issuer is licensed for e-money issuance, because an SCS pegged to a currency with a redemption claim meets the definition of e-money in s. 2(1) PSA (see Chapter I). The e-money regime brings three rules that fit stablecoins imperfectly. The first is the S$ 5 million float cap for an SPI, which forces any serious issuer into the MPI class. The second is the safeguarding requirement under s. 23. It requires the float to be held in a trust account with a Singapore bank, guaranteed by a bank or covered by a bank's undertaking, a rule that the SCS reserve requirement replaces with a more detailed regime.[1] The third is the prohibition on paying interest on e-money. It prevents an SCS issuer from passing reserve income to holders, and MAS has retained it in the framework so that a Singapore SCS can never be a yield product.

The interaction with the DPT regime runs the other way. An SCS is not a DPT, so a licensee that deals in or holds an SCS is not providing a DPT service in respect of it, although it may be providing e-money account issuance or transfer services. The consumer access restrictions of Chapter III therefore do not apply to SCS. This is the regulatory reward for stability. A Singapore retail customer can buy, hold and spend

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an MAS-regulated SCS without a risk awareness assessment. The customer may also use it to satisfy the accredited investor test at full value, while every other token is haircut by 50 per cent.

Example

A Zug fintech company wants to issue a Swiss franc stablecoin for payments in both hubs. In Switzerland the issuer faces FINMA's position that a redeemable franc-pegged token is a deposit. It therefore needs a banking licence, a fintech licence under Art. 1b BankA capped at CHF 100 million, or a bank guarantee structure of the kind FINMA's Guidance 06/2024 has criticised (see Part E, Chapter VII). In Singapore the Swiss franc is a G10 currency, so the token could qualify as an SCS if issued from Singapore by an MPI with a reserve of franc-denominated Swiss government bills and deposits. The two regimes cannot be satisfied by the same token issued from both places, because MAS requires single-jurisdiction issuance. The company must choose: issue from Switzerland and distribute in Singapore as a DPT dealt in by a licensee, or issue from Singapore as an SCS and distribute in Switzerland as a deposit-like instrument that needs a Swiss licence. The second route is attractive only if the Singapore framework has been enacted and the label is available.

Notes

1. PSA, ss 6(5)(c) and 23 on the e-money float threshold and the safeguarding of relevant money. ↩

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