One institution, three roles

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The Monetary Authority of Singapore was established by the Monetary Authority of Singapore Act 1970 and began operations on 1 January 1971. The Act gives it a mandate that a European reader would expect to find divided among a central bank, a prudential supervisor, a conduct regulator and an economic development agency. Section 4(1) states its principal objects. They are to maintain price stability conducive to sustainable growth of the economy, to foster a sound and reputable financial centre and promote financial stability, to ensure prudent and effective management of the official foreign reserves and to grow Singapore as an internationally competitive financial centre. Section 4(1A) adds that, where the objects conflict, the object of fostering a sound and reputable financial centre and promoting financial stability prevails over the object of growing an internationally competitive one.[1]

Section 4(2) lists the functions through which those objects are pursued. MAS acts as the central bank of Singapore, conducts monetary policy, issues currency, oversees payment systems and serves as banker and financial agent to the Government. It conducts integrated supervision of financial services and financial stability surveillance, manages the official foreign reserves and develops Singapore as an international financial centre.[2] The integration of the currency function dates from

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2002, when the Board of Commissioners of Currency was merged into the Authority. A single board of directors chaired by a Cabinet Minister governs all of these functions, while the Managing Director runs the institution day to day.[3]

For the digital-asset practitioner the triple role explains behaviour that otherwise seems inconsistent. The same institution that refused to let crypto trading be marketed to the public in 2022 funded tokenisation pilots with the largest banks in the same year, because the first act served the stability object and the second served the development object. The same institution that supervises the systemic banks for capital adequacy also decides whether a two-person software start-up needs a payment services licence. Nothing of the kind exists in Switzerland, where FINMA supervises, the Swiss National Bank conducts monetary policy, the State Secretariat for International Finance develops policy and the cantons compete for business. A Swiss client who approaches MAS expecting a FINMA-style supervisor meets an institution that also thinks like a central bank and a development board.

Singapore perspective

When you deal with MAS you are dealing with the central bank. That has a practical meaning for stablecoin and payments businesses: MAS reads a Singapore-dollar stablecoin proposal with the eye of a monetary authority that manages the exchange rate of the Singapore dollar against a trade-weighted basket. It reads a tokenised-deposit proposal with the eye of the authority that oversees the payment systems. A founder who frames a proposal only in regulatory-perimeter terms misses the question the institution actually asks, which is what the product does to the monetary and payment system. The successful applications I have seen answer that question first.

Notes

1. Monetary Authority of Singapore Act 1970 (2020 Rev Ed), s. 4(1) and (1A), text as published on Singapore Statutes Online. ↩

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2. Monetary Authority of Singapore Act 1970, s. 4(2), in particular paras (a) (central bank, monetary policy, currency), (d) (integrated supervision) and (f) (development of the financial centre). ↩
3. Merger of the Board of Commissioners of Currency, Singapore into MAS with effect from 1 October 2002 under the Currency (Amendment) Act 2002; author's summary of the governance structure under Part 2 of the Monetary Authority of Singapore Act 1970. ↩

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