The requirements

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Value stability and reserve assets

An SCS issuer must hold reserve assets whose value is at least 100 per cent of the par value of the SCS in circulation at all times.[1] The reserve assets must consist of very low-risk instruments. These are cash, cash equivalents and debt securities with a residual maturity of no more than three months, issued by the central bank of the pegged currency or by governments and organisations of the highest credit quality. They must be denominated in the pegged currency. They must be held in segregated accounts with custodians that are licensed in Singapore for custody or that are overseas custodians with a minimum credit rating of A- and a MAS-regulated branch in Singapore.[2] The reserves are subject to an annual external audit and to a monthly independent attestation, which must be published on the issuer's website and submitted to MAS by the end of the following month.[3]

The reserve rules are stricter than those under which the major dollar stablecoins operated for most of their history. They exclude commercial paper, corporate bonds and other cryptocurrencies, which were significant components of some reserves until 2022. They are close to the model that the European Union adopted for e-money tokens under MiCA and that the United States adopted in its 2025 federal stablecoin legislation (see Part O, Chapters II and IV). A Singapore SCS is, in substance, a tokenised claim on a pool of government bills and bank deposits.

Capital and liquidity

An SCS issuer must hold base capital of at least S$ 1 million or 50 per cent of its annual operating expenses, whichever is higher. It must also hold liquid assets at all times equal to the higher of 50 per cent of annual operating expenses or the amount needed for an orderly recovery or wind-down.[4] The capital requirement is separate from the reserve. The reserve backs the coins and belongs, in economic substance, to the holders. The capital absorbs the issuer's own operating losses and funds a wind-down in which the reserve is returned to holders.

The issuer's business is restricted. It may issue and redeem the SCS, provide custody of it and facilitate its sale. It may not lend, stake, trade DPTs or invest in other companies.[5] A group that wants to run an exchange and issue a stablecoin must therefore use two entities, with the issuer ring-fenced from the trading business. The restriction answers the Terraform and FTX experience, in which stablecoin or exchange-token issuance was mixed with proprietary trading and lending.

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Redemption at par

An issuer must return the par value of the SCS to holders within five business days of a redemption request. The obligation applies to redemptions made directly with the issuer.[6] MAS declined to require redemption at par from intermediaries, which would have made every exchange a guarantor. It did reserve the power to direct the liquidation of reserve assets within a specified period in a stress scenario. The redemption right is the legal core of the instrument. It makes the SCS a claim against the issuer, which in turn brings it within the e-money definition of the Payment Services Act and distinguishes it from a DPT.

Disclosure

The issuer must publish a white paper on its website describing the SCS, the rights and obligations of holders, the risks to value stability and the issuer's ability to meet its obligations, and must keep it current.[7] The monthly attestation and the annual audit report are also published. A summary factsheet for holders is recommended as good practice. The disclosure regime is lighter than a securities prospectus because the SCS is not an investment: it is designed to be worth exactly one unit of the pegged currency and to generate no return for the holder.

Notes

1. Reed Smith, 23 August 2023 (above): reserve value must be "at least 100% of the outstanding SCS in circulation at all times".
2. Reed Smith, 23 August 2023 (above): reserves to be held in segregated accounts; overseas custodians permitted if they have a minimum A- credit rating and a MAS-regulated Singapore branch.
3. MAS, Response to Public Consultation on Proposed Regulatory Approach for Stablecoin-Related Activities, 15 August 2023, section on reserve asset requirements, audit and monthly attestation.
4. Reed Smith, 23 August 2023 (above): base capital is the higher of S$ 1 million or 50 per cent of annual operating expenses; liquid assets at the higher of 50 per cent of annual operating expenses or the amount needed for recovery or orderly wind-down.
5. Reed Smith, 23 August 2023 (above): issuers are restricted to activities such as custody and facilitating SCS sales and cannot lend, stake, invest in other companies or trade DPTs.
6. MAS Media Release, 15 August 2023 (above): "Issuers must return the par value of SCS to holders within five business days from a redemption request."
7. Reed Smith, 23 August 2023 (above): issuers must publish and update a white paper covering the SCS, rights and obligations, value-stability risks and the issuer's ability to meet obligations; a summary factsheet is recommended.

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