Why Singapore built a separate framework

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

A stablecoin is a token whose issuer or protocol promises that it will hold its value against a reference asset, usually a fiat currency. Singapore's interest in stablecoins is not speculative. MAS sees a well-regulated single-currency stablecoin as a credible medium of exchange that could settle tokenised securities, support cross-border payments and bridge the fiat and token worlds without the volatility that makes bitcoin unsuitable for payments. The failure of Terraform's UST in May 2022, an algorithmic stablecoin with a Singapore-incorporated issuer, showed the other side. A stablecoin that loses its peg can destroy tens of billions of dollars of value in days and bring down leveraged counterparties, as it did Three Arrows Capital.

The response was a framework announced in a consultation of 26 October 2022 and finalised in a response of 15 August 2023.[1] The framework covers single-currency stablecoins (SCS) pegged to the Singapore dollar or to any G10 currency and issued in Singapore. It imposes requirements on value stability, capital, redemption and disclosure. It creates a label, "MAS-regulated stablecoin", which only compliant issuers may use. All other stablecoins, including algorithmic coins, multi-currency

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coins, coins pegged to non-G10 currencies and coins issued outside Singapore, remain DPTs under the Payment Services Act and are regulated as such when dealt in by a Singapore licensee.[2]

The framework is deliberately narrow. MAS chose to regulate the stablecoins that it believes can do useful work in the Singapore financial system and to leave everything else in the general crypto regime with its retail restrictions. The narrowness is the design. A Singapore investor who holds a MAS-regulated stablecoin is intended to know that it is backed, redeemable and audited. Anything without the label carries no such assurance.

Notes

1. MAS, Media Release "MAS Finalises Stablecoin Regulatory Framework", 15 August 2023, following the public consultation of October 2022. ↩
2. Reed Smith, "Singapore stablecoin regulation: MAS confirms its framework", 23 August 2023: only single-currency stablecoins pegged to the Singapore dollar or G10 currencies and issued in Singapore fall within the framework; other stablecoins, including algorithmic ones, remain under the DPT regime. ↩

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

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