



Annex B: List of Respondents

List of respondents to the consultation paper on proposed regulatory approach for stablecoin-related activities

1. Amos Teo
2. Anchor Labs Inc (Anchorage Digital)
3. Ashwin Mathialagan
4. ASIFMA
5. Australia and New Zealand Banking Group Limited
6. Binance
7. Bryan Leow
8. CHP Law LLC, who requested confidentiality of submission
9. Circle Internet Financial, LLC
10. Clifford Chance Pte Ltd, who requested confidentiality of submission
11. DigiFT Tech (Singapore) Pte Ltd
12. Christian Hofmann
13. Duane Morris & Selvam LLP
14. GBBC Digital Finance
15. Holland & Marie Pte Ltd
16. HSBC
17. Kuldelski Security
18. Lymon Pte Ltd, who requested confidentiality of submission
19. MagentaCore, who requested confidentiality of submission
20. Mastercard Asia Pacific Asia, who requested confidentiality of submission
21. OCBC Bank, who requested confidentiality of submission
22. Okcoin Pte Ltd
23. Pragma Pte Ltd
24. Rainer Lo
25. Ripple Labs Inc.



26. SBI Digital Markets Pte Ltd
27. Sygnum Pte Ltd
28. UOB Limited
29. Visa
30. VP Bank Ltd, Singapore Branch
31. World Federation of Exchanges
32. Xfers Pte Ltd
33. Zhang Wei
34. Respondent A, who requested confidentiality of identity
35. Respondent B, who requested confidentiality of identity
36. Respondent C, who requested confidentiality of identity
37. Respondent D, who requested confidentiality of identity
38. Respondent E, who requested confidentiality of identity
39. Respondent F, who requested confidentiality of identity

Nine respondents have requested confidentiality of identity and submission.

Please refer to Annex C for the submissions.



Annex C

Submission from Respondents to Consultation Paper on Proposed Regulatory Measures for Stablecoins-related Activities

Note: The table below only includes submissions for which respondents did not request confidentiality.

S/N	Respondent	Responses from respondent
1	Amos Teo	<p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>“regulated stablecoin”, “qualifying stablecoin” or “securely-backed stablecoin” will potentially imply or send a message herein that it is risk free or is insured by SDIC. Licensed Stablecoin can be used to distinguished those SCS issuers with DPT license vs bank issued.</p> <p>Question 5 MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>Bitcoin trust funds and Ethereum Trust funds are likely to happen, considering the current modus operandi of such funds in the current market, they are usually a way for FI and accredited investors to get exposure to bitcoin and ether. Would holding these funds serve as a liquid asset and in turn count as reserve requirements for the stablecoin issuer?</p> <p>Question 13 MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>Transmission of SCS is likely to be done through wallets providers, this clause lacks the clarity of self-custody wallets of SCS. Self-custody SCS will always be segregated from the providers’ assets and the clause should specify the conditions when segregation must occurs.</p> <p>Question 15 MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p>



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		Regulatory language on stablecoin - suggest to refer to stablecoin as a digital asset/currency in order to encourage collaboration and further innovations from entities in mainland China/Hong Kong SAR since any reference to cryptocurrency will increase regulatory risks for them, however, a stablecoin with a well regulated framework is strongly needed to develop the digital assets ecosystem. Singapore and MAS is at the forefront of regulating this nascent space (virtual/digital assets) and must be conscientious in setting standards of regulation in the space.
2	Anchorage Digital Labs	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>Anchorage Digital agrees with MAS that stablecoins—and in particular Single–Currency Pegged Stablecoins (SCS)—have the potential to be a credible digital medium of exchange that can help facilitate digital transactions, if they are well regulated and a stable store of value. MAS is correct to prioritize the regulation of SCS issued in Singapore by imposing requirements on their reserve management, redemption policy, and prudential standards of the SCS issuer, whether this issuer is a bank or non-bank.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>Anchorage Digital believes it is sufficient and necessary to introduce an additional regulated payment service of stablecoin issuance. The abilities to mint and burn SCS are powerful. Equally important are the quality and liquidity of the reserves backing them which should be (1) composed of cash and cash equivalents, (2) maintained at one-to-one ratio to the value of SCS (3) auditable, (4) kept for safekeeping with a custodian, and (5) managed through proper governance. Overall, a well-regulated DPT industry is good for the people of Singapore. It will increase trust, transparency, and accountability, which are necessary for a successful SCS payment ecosystem.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>MAS enabling both banks and non-banks to issue SCS incentivizes fairer outcomes and greater choice in the market. This also increases competition in the SCS market which will likely lead to more responsible innovation and better SCSs with enhanced payment infrastructure that will provide greater value to the people of Singapore. Both banks and non-banks should be required to hold reserves by a MAS regulated depository institution because consumers will be more confident in SCSs, if the reserves are held at a well-regulated institution.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to</p>



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		<p>label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>Having a single label for bank and non-banked issued SCS is convenient and sufficient for most users, even though MAS is proposing that banks and non-banks can issue SCS, and that banks can issue SCS as bank liabilities or a DLT fully backed by fiat reserves. Anchorage Digital is supportive of both banks and non-banks issuing SCS fully backed by fiat and cash equivalent reserves that are kept safely at a bank. We believe the full-reserve backing of SCS is optimal because it maximizes the stability of the SCS’ peg to fiat and therefore increases trust in the SCS and potential adoption of SCSs for use in transactions.</p> <p>Having a single label for bank and non-bank issued SCS that MAS regulates is convenient.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>The proposed SCS reserve requirements are appropriate and necessary. Anchorage Digital agrees that reserve assets should be held in the form of cash, cash equivalents, or debt securities with a maturity of no more than 3-months and issued by a central bank. We agree that reserve assets should be denominated in the same currency as the pegged currency and there should be independent attestation that these requirements are met on a monthly basis. We also support the annual independent audit of reserves that must be submitted to the MAS. Furthermore, Anchorage Digital strongly agrees that SCS issuers must hold all the reserve assets used to back the SCS in circulation in segregated accounts, separate from firm assets.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>Anchorage Digital agrees that the timely redemption of SCS to fiat when requested by a customer is an important matter. We agree that customers should be able to make a redemption request at any time and that they should receive the par value of the SCS they have requested no later than five business days after such request. It is also fair that any conditions related to redemption, such as fees and minimum redemption amounts, should be clearly disclosed on the company website.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>Anchorage Digital does not have any interest in issuing SCS itself. However, we do hope to help provide institutional clients that use SCS, premium custody services. Therefore we</p>



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		<p>ask MAS to carefully consider prudent requirements that are proportionate to risks associated with SCS.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>Yes, banks offering tokenised bank liabilities should be similarly subject to redemption and disclosure requirements that are placed on non-bank issuers of SCS. Parity will help prevent MAS from unintentionally picking winning and losing SCS models. Also, customers have the right to their money and should have the same expectation that they can redeem their SCS in a timely manner, too. To be clear all SCSs should only be issued with full fiat reserves, which makes much of this discussion irrelevant.</p> <p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>Yes, bank-issued SCS backed by reserve assets should be subject to the same requirements that MAS has proposed that non-bank-issued SCS must meet. If a bank does not wish to be subject to the non-bank issued SCS standards proposed in the consultation paper, they can issue tokenized bank liabilities instead. All client assets should be fully segregated from client assets and in many instances from other client assets.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>Anchorage Digital believes that MAS should establish regulatory cooperation among relevant foreign regulatory bodies of SCS to exchange information on the operation of SCS and to ascertain if foreign standards do meet MAS standards.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>Anchorage Digital agrees that DPTSPs which offer the service of arranging for the transmission of MAS-regulated SCS to complete the transfer of SCS from one party to another in no more than three days. Customers expect and should receive quick settlement of SCS.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers' SCS.</p> <p>In order to protect customers and enhance market stability, MAS should require DPTSPs, including those working with SCS, to (1) segregate customer and firm assets; and, in general, (2) segregate each customers' assets from other customers' assets. The first principle is standard in traditional finance and DPTSPs should readily agree to it if they</p>



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		<p>want to be a responsible market participant. The second principle is also common in traditional finance and is enhanced by blockchain technology that provides added transparency for clients, their regulators and their auditors.</p> <p>Unfortunately, many DPTSPs commingle customers’ digital assets with company owned digital assets—and in moments of market turbulence—this commingling creates uncertainty as to who actually has a claim to customer assets. Such uncertainty exacerbates market volatility as market participants rush to seek physical certainty of their assets, but are often locked out of their accounts. Lastly, because it's not entirely certain if in bankruptcy these commingled assets would be considered assets of the customer or the firm, these investors could face long pending litigation before ever receiving a portion of their funds, if any at all.</p> <p>There is a best practices approach that protects customer’s assets, and it’s a solution Anchorage Digital has on offer for other DPTSPs to better protect from counterparty risk. Generally, a customer’s assets should be segregated in a separate vault(s) from other customer’s assets, like what is done at Anchorage Digital. In the event of a security failure, this segregation limits the hacker’s access to just one customers’ vault, instead of access to the assets of multiple customers. Furthermore, it allows greater transparency as to who owns which assets which can help when the DPTSP, the customer, or the government verify this information. It is imperative that MAS not go so far as fully prohibiting the commingling of customer assets as there are instances where customer funds can be commingled for legitimate purposes related to transaction settlement, payment of commissions and taxes, as well other use cases.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>MAS making amendments to the PS Act to authorize MAS to supervise SCS stablecoin arrangements as “payment systems” is logical. This will allow MAS to collect information on stablecoin arrangements related to SCS intermediaries and validators of transactions and enable MAS to make informed and timely decisions on important matters such as systemic stablecoin arrangement determinations. However, MAS must make sure that SCS payment systems do not receive unfair treatment that stifles their ability to compete with traditional payment systems.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>Due to the unique nature of DPTs, including SCS, Anchorage Digital believes there are four baseline requirements that any entity providing custody services in Singapore must meet: (1) proof of exclusive control, (2) proof of existence, (3) hardware security, and (4)</p>



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		<p>blockchain monitoring. Each baseline requirement is explained in detail below and if met by DPT custodians in Singapore, we believe stablecoins will have a better chance of being a credible medium of exchange and contribute to a considerably more resilient financial system.</p> <p>Proof of Exclusive Control</p> <p>A custodian’s ability to simply prove ‘physical possession or control’ of private key material is not enough because DPTs are fundamentally different from traditional financial instruments in terms of technology. Private keys—the cryptographic tools that grant access to a user’s digital assets—can exist in multiple instances and locations. This means that, even if a custody provider can prove possession and control of private key material on behalf of their customers, other copies of that private key material can and often do exist apart from the copy held in custody.</p> <p>Therefore custodians must be able to prove exclusive control over the private key material corresponding to a given wallet. Because of the nature of cryptographic assets, access to asset private key material is equivalent to access to the underlying assets (what we mean by digital assets having a “bearer nature”). The work of digital asset custody, then, is essentially the secure custody of private key material.</p> <p>The notion of exclusive control—that the assets are held exclusively by a custody provider because the asset private key exists exclusively within the custody provider’s control—is critical. Proof of exclusive control can be securely achieved through a combination of software, hardware, and operational processes. However, custody models that rely on private key redundancy (maintaining multiple physical or electronic copies) and physical security as a proxy for digital asset security can’t ever truly prove this. Not only that, but the simple existence of multiple copies of the same key within custody multiplies consumer risk by expanding the surface of attack and increasing the number of opportunities for internal collusion and theft.</p> <p>Proof of Existence</p> <p>Beyond proof of exclusive control, the ability to prove the existence of assets held under custody on a regular basis, or when requested by auditors or regulatory bodies, is also essential for consumer protection. In essence, proving possession of private key material is of little use if an entity providing custody services cannot also prove that the associated assets exist on a regular basis. Custodians of digital assets should be required to have the ability to prove asset existence when requested; doing so validates that the private keys exist, that the private keys are functional, and that they are held exclusively in the name of the proper parties.</p> <p>Hardware Security</p> <p>The twin goals of exclusive control and regular existence proofing are best met by using single-purpose hardware security modules (HSMs) for key generation and storage. On the first point, HSMs themselves can generate and store private key material without the</p>



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		<p>need for that material to ever leave the HSMs, thus ensuring exclusive control. On the second point, existence proofing via HSM-based architecture is easily and nearly instantly conducted through challenge-response authentication, which is not true of custodial solutions that rely on redundant copies of private keys as part of their security model. HSMs are also easily auditable by clients or third party auditors.</p> <p>Beyond facilitating these key consumer protection processes, when air-gapped and physically isolated from public network connectivity, HSMs provide a version of offline so-called “cold” storage that doesn’t require key sharding or the kinds of manual human operations other forms of cold storage typically rely on—all operations that introduce the possibility of human error, theft, or compromise, and can ultimately result in asset loss.</p> <p>HSMs also benefit from being well-known, mature, and rigorously tested technology. To this day, NATO militaries, major financial institutions, and many large technology companies already leverage HSMs whenever they have significant key management challenges. Relying on HSMs for digital asset custody also makes existing, long-established, and regularly reviewed US federal standards for private key security foundational to a custodian’s security architecture. The National Institute of Standards and Technology has developed the Federal Information Processing Standards (FIPS), standards and guidelines developed for use by the Federal government, approved by the Secretary of Commerce. HSMs rated FIPS 140-2 meet the stringent security requirements needed for cryptographic modules.</p>
3	Ashwin Mathialagan	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>I welcome the regulatory scope of introducing a new regulated activity of stablecoin issuance services. While the definition of this term would be crucial in determining who may fall within this category, it is essential to consider the regulatory scope to extend to SCS issued outside of Singapore but generally accepted in Singapore. An example would be Binance USD stablecoin which they are not issued in Singapore but is generally accepted in Singapore as an accepted form of stablecoin.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>In my view, introducing the additional stream of payment service alone is insufficient given the risks arising from stablecoin activity. It is important to identify the extent to which stablecoin arrangements share common features with the traditional financial system, with the goal of producing ‘technology neutral’ regulation (i.e. same activity, same risk, same regulation). Further regulations such as who is able to issue stablecoins should be considered with a view of only allowing banks or certain licensed payment service providers to issue such stablecoins for a start. More widespread use of stablecoins for payments would generate similar risks for customers and merchants as other payment systems (e.g. credit, liquidity, operational and settlement risks). The extent of any</p>



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		<p>resulting financial stability risks would depend on the scale and nature of the system and its use in critical financial services. Relative to existing payment systems, a stablecoin-based payment system could carry new or greater risks – for example, the underlying distributed ledger technology, which is relatively new, may have unforeseen vulnerabilities. Conversely, a stablecoin-based payment system may reduce certain risks (e.g. by facilitating delivery versus payment for the settlement of digital assets).</p>
		<p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>non-bank SCS should be held to the same degree of scrutiny and obligations imposed on a Bank. I don't see why there should be a dual standard being applied given the underlying risk that SCS brings to the financial service ecosystem. Non bank SCS must take same risk-based capital and liquidity, ML/TF, technology risk management and other requirements under the Banking Act. One standard for all SCS.</p>
		<p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>no further comments, this is appropriate in my view.</p>
		<p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore's digital asset ecosystem.</p> <p>Agree on the proposals. the are in line with other regulatory authorities' approaches.</p>
		<p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>No further comments. The time period is reasonable</p>
		<p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>They are proportionate.</p>
		<p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>Yes they should be subject to the same disclosure requirements.</p>



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		<p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>It is a likely development given that firms would find ways to leverage their network effect to issue stablecoins. The approach under 4.24 is certainly feasible however, MAS should also consider independent audit requirements from other aspects of the matter (risk, cybersecurity, tech risk etc.) of that other significant issuers to be provided to MAS and MAS should be able to impose corrective measures to be taken on the SCS issue in Singapore to pass through it to their other significant issuer</p>
		<p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>NFTs that are being used as a form of an asset class where users are able to lend DPT by collateralizing their NFTs. These lending platforms do not control the interest rates and are often arbitrary.</p>
		<p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>3 business days is reasonable.</p>
		<p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers' SCS.</p> <p>in my view they are appropriate.</p>
		<p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>I am in support of MAS's proposal and yes, key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk</p>
		<p>Question 15. MAS seeks any other comments relating to MAS' regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>no further comments.</p>



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4	ASIFMA	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>Regulatory approach – general comments As a starting point, Members are of the view that MAS should establish a clear definition of a “stablecoin” based on an identification of the rights conferred by, and risks involved in, stablecoins. Further, Members are of the view that the use of distributed ledger technology (“DLT”) and blockchain for infrastructure purposes by regulated financial institutions (e.g. for internal recordkeeping functions) should be distinguished from the use of stablecoins. Members emphasize that the proposed risk management standards for the use of stablecoins set out in this Consultation Paper should not apply to the use of DLT or blockchain infrastructure to support existing, regulated financial services and processes. This is because the use of DLT or blockchain for infrastructure purposes by financial institutions to support existing, regulated financial services and processes are currently regulated under existing laws and risk management frameworks. Imposing additional requirements as proposed in this Consultation Paper to the use of DLT or blockchain for infrastructure purposes may hinder innovation by these financial institutions. Focus on SCS issued in Singapore Members generally agree that the proposed regulatory scope should be focused on ensuring that SCS issued in Singapore maintain a high degree of value stability. Currently, Members note that non-bank stablecoins that are backed by a single fiat currency have the largest market share amongst stablecoins and are likely to pose higher risks to monetary and financial systems than other stablecoins given their market share, particularly as SCS may be more tied to payment and settlement use cases. In addition, SCS would have the strongest use case for purchasing, settling, trading, and lending within the crypto-ecosystem and potentially the broader financial system. Whether there are reasons for the MAS to extend its regulatory powers to SCS issued outside of Singapore Members agree that as a first step, the priority should be on the standard of SCS issued in Singapore given the MAS’ ability to directly impose regulatory requirements on the entities that issue such SCS. Notwithstanding the above, Members agree that the proposed regulatory approach should be sufficiently broad and flexible to take into account any changes in systemic risks and international standards of stablecoins in the longer term. Following the principle of “same risk, same regulation”, there is a need to implement a progressive regulatory regime that ensures a level playing field and which is future proofed and capable of pivoting to address developments and innovations in the industry. Singapore Deposit Insurance Scheme Members wish to clarify if “MAS regulated SCS” pegged to SGD will be insured under the Singapore Deposit Insurance Scheme (“SDIC”). Members are of the view that such SCS issued as tokenised bank liabilities that are deposits would be subject to the SDIC, while such SCS issued and backed by reserve assets segregated from the rest of the bank’s assets may not be subject to the SDIC.</p> <p>Question 2.</p>



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		<p>MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>Members generally agree with the introduction of the new regulated activity of “stablecoin issuance service” under the Payment Services Act 2019 (“PS Act”) and the list of activities proposed by the MAS which should fall under the regulatory ambit, recognising that, on a risk-based approach, the primary focus should be on SCS issuers (entities responsible for controlling the supply of SCS, and minting and burning of SCS). Further, Members note that MAS-regulated SCS will continue to be treated as DPTs for the purposes of non-issuance activities, and any regulated secondary or ancillary activities associated with stablecoins will be regarded as DPT services under the PS Act. Members generally agree with the distinction in regulatory treatment made between stablecoin issuance services and SCS-related intermediation services (subject to our response in Question 11), following the principle of “same risk, same regulation”, noting the different risks applicable to the two services.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>Regulatory approach – general comments Members agree that the approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS. Specifically in relation to the regulatory approach for bank SCS issuers, Members generally agree that such regulatory approach is appropriate, and would avoid overlap between the regulatory requirements applicable to banks under the Banking Act 1970 (“Banking Act”) and under the proposed requirements for SCS issuers. Regulatory requirements should not apply to tokenised bank liabilities However, Members believe that banks that issue SCS as tokenised bank liabilities that can be used either within or outside a bank’s ecosystem (i.e. can be transferred on a peer-to-peer basis using private crypto wallets, or through third-party service providers) should not be subject to additional regulatory requirements (including requirements relating to timely redemption at par and disclosure), as banks and bank liabilities, such as deposits, are highly regulated and existing frameworks are appropriate to address banking activities carried out in this new electronic form. Additional requirements on such tokenised bank liabilities would cause a barrier to entry to banks looking to enter this space, which would be disadvantageous to the market as banks are highly regulated and trusted actors which bring stability to the digital assets space. Please also see our response to Question 8 below. Further to the above, Members are additionally of the view that the following types of tokens / SCS should be explicitly excluded from the definition of an “SCS” or “stablecoin”:</p> <ul style="list-style-type: none"> • tokenised commercial bank money / deposit tokens: tokenised deposits, which evidence a deposit claim against an issuing bank subject to capital and fractional reserve requirements applicable to deposits;



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		<ul style="list-style-type: none"> • financial market infrastructure tokens: a digital unit of account issued by a financial market infrastructure to its participants reflecting deposits held at a central or commercial bank in a single fiat currency that may or may not pay interest; and • settlement tokens: representations on distributed ledger technology of underlying traditional securities / financial instruments issued on a different platform (e.g. a traditional Central Securities Depository or registrar) where such representation itself does not satisfy the definition of a security or financial instrument under local law and is used solely to transfer or record ownership or perform other mid/back-office functions (e.g. collateral transfer, recording of ownership). Members are of the view that further granular discussions on the regulatory characterisation / treatment of the above types of tokens / SCS are needed, and would welcome discussions with the MAS on the matter. <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>Members are of the view that SCS issued as tokenised banks’ liabilities should not be labelled similarly to MAS-regulated SCS which are backed by segregated assets (regardless of whether these SCS are issued by banks or non-banks). This is because SCS issued as bank liabilities are structured differently from MAS-regulated SCS which are backed by segregated assets, pose different risks and have different use cases and purposes. Users should be able to distinguish between SCS issued as tokenised bank liabilities and other types of MAS-regulated SCS. Members recommend that SCS issued as banks’ liabilities should be distinctly labelled and reflect the nature of the bank liability.</p> <p>Additionally, Members are of the view that bank and non-bank issued SCS that are backed by segregated assets should be separately labelled, unless non-bank SCS issuers are subject to prudential standards no less onerous than those imposed on banks (as proposed in our responses to Question 6 below). This is because there would be significant differences in oversight, compliance, controls and other consumer protection measures between banks and non-bank SCS issuers.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>Members agree with the requirement for SCS issuers to have sufficient reserves for each MAS-regulated SCS issued or minted and currently in circulation.</p> <p>Members propose that the reserve assets used to back the MAS-regulated SCS in circulation should also be allowed to be held by a bank regulated/supervised by regulators in overseas jurisdictions (in addition to the financial institutions in Singapore set out in the Consultation Paper).</p> <p>Members have proposed that reserve assets backing SCS should be held in a bankruptcy remote manner, such that the reserves cannot be drawn into the bankruptcy estate of the issuer of the SCS. Reserves should be held with banks or custodians in accounts properly labelled for the benefit of the SCS holders i.e. “safeguarded client money/asset accounts”.</p>



S/N	Respondent	Responses from respondent
		<p>Non-cash reserves backing SCS should be additionally held in a manner so that they will not be drawn into the bankruptcy estate of the custodian holding the reserves and cannot be rehypothecated for any reason.</p> <p>Members have also commented that the MAS should also prescribe conditions for the withdrawal of funds by the SCS issuer from the custody accounts, such that reserves are not used for any purpose other than for redemption by SCS holders, for burns, or to pay certain prescribed fees. Members have also proposed that SCS issuers should also report debits from the custody accounts to the SCS issuer’s own corporate account on a regular basis to the custodian and/or the MAS.</p> <p>Members have also queried whether there should be parameters around ratios of each acceptable asset for reserves, especially where certain types of reserve assets (e.g. debt securities) could potentially impact the ability for the SCS issuer to ensure timely redemption of SCS. These ratios do not have to be overly prescriptive, but a range of the percentage that would be acceptable for each asset class may be considered. In particular, Members queried if an SCS issuer may choose to have the majority of reserve assets in debt securities and if so, whether this may run any risk on timely redemption for users. Members have also commented that the scope of acceptable types of reserves should exclude other MAS-regulated SCS that are backed by reserve assets to avoid circularity. Notwithstanding Members’ support for the reserve asset requirements, Members observed that non-bank SCS issuers (like many other companies operating in the digital assets industry) currently find it difficult to obtain bank accounts as banks may be hesitant to deal with crypto-native companies. Members expect that the establishment of a robust regulatory framework would make banks more willing to provide services to non-bank SCS issuers. However, to the extent there is hesitancy within the banking industry, this may be an area which the MAS could provide appropriate guidance in order to ensure that non-bank SCS issuers are able to comply with the requirement to keep reserve assets with a bank and to ensure that there is a level playing field. Members have also queried whether reserve funds held by banks on behalf of non-bank SCS issuers should be interest bearing. Additionally, in relation to banks that issue SCS as tokenised bank liabilities denominated in a non-SGD currency, Members would like to clarify whether customers’ deposits backing such tokenized bank liabilities could be held offshore by the currency centre bank legal entity (e.g. USD held by the banking group’s entity in the US), given that the same is allowed for fiat bank liabilities.</p> <p>Finally, Members encourage the MAS to monitor international developments and align the proposed reserve asset requirements with international standards.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>Members believe that it is vitally important to ensure that SCS issuers meet high prudential standards in order to adequately protect SCS holders. In line with the principle of “same activity, same risk, same regulation and supervision”, Members suggest that non-bank SCS issuers should be subject to prudential standards no less onerous than those imposed on banks.</p> <p>Question 8</p>



S/N	Respondent	Responses from respondent
		<p>MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>Consistent with the response for Question 3 above, Members are of the view that for tokenised bank liabilities:</p> <ul style="list-style-type: none"> • requirements on timely redemption of SCS should not be more onerous than current requirements imposed on bank deposit withdrawals. Banks will typically integrate the process for such redemption / withdrawals with their existing operational processes for bank deposits; and • requirements on disclosures should not be imposed on banks in relation to tokenised bank liabilities, as banks are already subject to existing requirements and practices applicable to the underlying liability. For example, banks currently address disclosure of rights and obligations of deposit holders through the terms and conditions relating to bank deposits. It is additionally worth stressing that tokenised bank liabilities should not require additional disclosures, because they do not carry certain types of novel risks that other types of SCS may have, such as those which attempt to maintain a peg by holding certain reserves. <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>Members believe that the scenario outlined in paragraph 4.22 is possible. Entities may particularly select different locations of issuance, either to address issuance in multiple currencies or operational needs for global issuance, or to meet regulatory requirements for issuance in other jurisdictions.</p> <p>Members welcome the approach for SCS issued in multiple jurisdictions, as it would ensure that the same SCS issued in other jurisdictions would be subject to the same or similar requirements required for an MAS-regulated SCS issued in Singapore. Members expect that implementing this approach may be a practical challenge, although it is worth pursuing.</p> <p>In respect of the requirement to obtain and submit independent attestations, members have suggested that non-bank SCS issuers should be required to do so every 6 months (instead of on an annual basis as currently proposed), as the current proposed timeline may be too long.</p> <p>Members agree strongly that the MAS should work together with international regulators and standard-setting bodies to adopt a consistent approach to minimum requirements for SCS issuers.</p> <p>Members believe that:</p> <ul style="list-style-type: none"> • there should be considerations for jurisdictional equivalence, so that overseas stablecoin arrangements can be recognised in Singapore with home regulators exercising consolidated supervision; • it would be useful to establish clear standards on when offshore issuers are sufficiently interacting with Singapore markets to require submissions of attestations (as set out in paragraph 4.24(a) of the consultation paper); and • the MAS may also consider setting out requirements / guidelines containing acceptable



S/N	Respondent	Responses from respondent
		<p>redemption arrangements for such SCS issued in multiple jurisdictions, to avoid confusion about the entity from which SCS holders may redeem their cash from.</p> <p>Separately, Members queried how the approaches outlined in paragraph 4.24 of the consultation paper would apply to tokenised bank liabilities, especially tokenised bank liabilities that are issued by a banking group entity / foreign branch / head office of a bank in Singapore, and which are denominated in the jurisdiction of home currency centre (e.g. USD tokenised bank liabilities issued by a US banking group entity / branch / head office). Members believe that such additional requirements should not apply to tokenised bank liabilities and existing cross-border banking practices should apply instead.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>Members believe that financial institutions which are regulated to conduct analogous activities should be given exemptions or deemed licences to prevent regulatory overlap and promote consistency. One example would be a recognised market operator that uses MAS-regulated SCS as a settlement rail for trades in securities carried out on their platform – arguably this could potentially fall within the scope of exclusion at paragraph 2(i) of Part 2 to the First Schedule to the PS Act.</p> <p>Members also wish to clarify whether a bank that facilitates the transfer of or provides custodial services in respect of SCS which are tokenised bank liabilities could be considered as conducting a SCS-regulated intermediation service. Members believe that this should not be the case for tokenised bank liabilities, which are carried out as part of a bank’s normal banking business. As such, banks that carry out intermediation services in respect of tokenised bank liabilities should not be subject to consequential regulatory requirements which apply to DPT service providers regulated under the PS Act.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>Members agree that three business days is a reasonable timeline, although they have suggested that this timeline should be revisited in a few years’ time to align with international standards and guidelines on settlement.</p> <p>Members wish to clarify whether exempt payment service providers (e.g. banks) which facilitate the transfer of MAS-regulated SCS would be subject to this requirement as well.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>Members agree that the segregation of customers’ MAS-regulated SCS from the DPT service provider’s own assets would mitigate the risk of misuse of customers’ SCS from the commingling of assets.</p> <p>However, Members consider the requirement to segregate a customer’s MAS-regulated SCS from the same customer’s other assets (e.g. DPTs) to be excessive. Members are of</p>



S/N	Respondent	Responses from respondent
		<p>the view that it would be sufficient to segregate customers’ assets from the SCS intermediary’s assets to mitigate against the risk of misuse of customers’ MAS-regulated SCS by the SCS intermediary.</p> <p>Members wish to clarify whether the segregation requirement would extend to requiring SCS intermediaries to open a separate custody account for each customer’s MAS-regulated SCS.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>Members believe that it is important for the regulatory regime to be sufficiently adaptable to address stablecoin arrangements that become systemically important. Members agree that systemic stablecoin arrangements should be subject to higher financial and operational requirements. Members stressed that systemic stablecoin arrangements should be adequately regulated to safeguard against risks to economic stability resulting from evolutions in the delivery of financial services. Members have however requested for further clarity on how DPS regulations would be applied to SCS arrangements that function on open infrastructures or a public blockchain (or across inter-connected / interoperable blockchains), especially in relation to supervision rights / information gathering rights. With regards to tokenised bank liabilities, Members have commented that these liabilities would already be well regulated under the Banking Act as banking regulations contemplates systemically important operations. Introducing the potential for such stablecoin arrangements which involve tokenised bank liabilities to be regulated as a DPS may cause significant regulatory confusion for banks, as banks would be subject to multiple regulatory regimes in respect of these tokenised bank liabilities.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>Members propose for the MAS to consider providing guidelines to address smart contract risks, particularly across different blockchains (e.g. on the blockchain interoperability of MAS-regulated SCS). For example, MAS could consider updating the Technology Risk Management Guidelines to provide specific guidance in this regard. Members stressed that given the potential for stablecoins to become a medium of exchange, risks relating to the underlying technology should be effectively mitigated against. Members have also commented that it would be useful for the regulations to be agile and reviewed on a regular basis to ensure that it is fit for purpose.</p>
5	Australia & New Zealand Banking Corporation	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p>



S/N	Respondent	Responses from respondent
		<p>ANZ suggests that MAS extend its regulatory scope to cover additionally the following two areas to extend its regulatory powers</p> <ol style="list-style-type: none"> 1. The Stable coins (SCS) targeted/offered/sold/ exchange to Singapore residents and businesses in 2. Any settlement /obligation/contracts for such entities or related group either have SG as arbitration or under courts of Singapore 3. When such overseas issued Stablecoins in circulation with Singapore residents exceed a risk threshold of say, S\$3M or equivalent / month and particularly those which are considered as designated payment system overseas. <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>ANZ suggests the additional regulation in PS to cover all aspects of Issuance, distribution, circulation, and accessibility, including provision of custodial services for SCS with suitable amount caps and withdrawal /exchange into pegged currency locally.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>ANZ suggests having a simpler enforcement for definition of the MAS regulated SCS, i.e., as common for all issuance under Banking act or Cash/Cash equivalent irrespective of the volume in circulation. Any other backing of stable coins be treated as DPT. Further the regulation may cover entire life cycle of the stable coin activity from issuance, distribution, custodial and access and redemption arrangements for SCS.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>ANZ proposes the term “Licensed Stablecoin” (LSCS) – and a single label is appropriate for both bank and non-bank issues SCS that MAS regulates.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>ANZ recommends aligning the reserve requirement to HQLA composition (LCr30/ MAS 649 Level1 and 85% of Level 2a only). The reserves should be cover 100% of the liabilities to account for network fees and transaction costs, other loss of peg scenarios. This reserves ratio should be distinct from the solvency norms</p>



S/N	Respondent	Responses from respondent
		<p>As the reserve assets must be valued on a marked-to-market basis daily, we recommend that the asset valuation should also be published daily (and not monthly statements) on the website of the issuer.</p> <p>If the Licensed SCS is SGD pegged stable coin but issued outside of Singapore - the reserves shall still need to be maintained in Singapore only.</p> <p>Segregated Reserve requirements (separate for client monies and own account) should apply to entities involved in SCS related intermediaries including exchanges which might hold the SCS on end consumers' behalf.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>ANZ recommends that the redemption be at the max T+1 considering the real-time nature of these assets and to protect consumers from unintended volatility.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>ANZ recommends that the redemption and disclosure requirements be applied to all SCS issuers consistently. The disclosure requirement could be aligned to the constitution documentation and be files/registered as part of license.</p> <p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>Where SCS are issued by Banks with reserve assets segregated from rest of the bank, ANZ suggest that such SCS may be held and distributed through a custodial model than by themselves.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>ANZ suggests where Licensed SCS are made available, marketed/distributed in multiple jurisdictions by other related legal entities, and are fungible with Singapore LSCS, then these overseas arrangements be categorized as being in nature of distribution of Singapore LSCS. The issuer, who supports fungibility need to comply with the SCS regulations under PS act, with reserves in currencies maintained in jurisdiction which recognize and enforce Singaporean orders or judgements</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>Considering the real time nature of these assets and technologies – ANZ recommends the</p>



S/N	Respondent	Responses from respondent
		<p>95% of the requests transfer should be serviced within an hour and 100% of requests within 8 hours</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>As addressed in 5, ANZ recommends this is appropriate and additionally suggests that the custodian is well capitalized to cover operational requirements and service levels. We also suggest the issuer maintains segregation of their own treasury holdings, and any customer SCS separately.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>ANZ concurs that MAS where LSCS are designated as payment systems, then such issuer has prudential capital and liquidity norms aligned with banking act</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>MAS to adopt a collegiate approach with regulators in jurisdiction of issuers and distribution to align enforcements</p>
6	Binance	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>Binance has provided comments to specific questions. More generally, we would observe:</p> <p>(a) that MAS may wish to provide recognition for foreign SCS operating in SG that meet equivalent regulatory standards in their home jurisdiction. For example, SCS issued under EU MiCA regulation, or SCS issued using currencies referred to in paragraph 4.14 of the CP.</p> <p>(b) that extending regulatory powers of for example, supervision and enforcement to SCS issued outside SG, that operate inside or outside of SG, may be better achieved through existing regulatory cooperation agreements within the financial services sector, including those being developed at the global level by the Financial Stability Board.</p> <p>(c) a recent analysis by the Financial Stability Board identified that some non-fiat backed stablecoins e.g. DAI experienced limited deviations from the peg and those deviations were mostly positive. It is also worth noting that the peg was maintained despite sharp drops in the value of unbacked crypto assets.</p>



S/N	Respondent	Responses from respondent
		<p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>Binance is supportive of the introduction of an additional regulated payment service of stablecoin issuance.</p>
		<p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>Binance is supportive of the proposed approach by the MAS.</p>
		<p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>Binance believes that it is not necessary to distinguish between bank and non-bank issued SCS. Practically speaking, each stablecoin will likely be branded with the issuing institution's trade name. In anticipation of the issuance of stablecoins becoming regulated in more jurisdictions the term "MAS regulated stablecoin" should provide sufficient clarity to investors.</p>
		<p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore's digital asset ecosystem.</p> <p>Binance is supportive of the proposed reserve asset requirements.</p>
		<p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>Binance is supportive of the redemption-related requirements. In general, five business days should be sufficient to return the par value of the SCS to customers. However, given that this is ultimately dependent on the availability of the relevant banking services, Binance would propose that this is aligned to the prevailing turnaround time provided by the financial institution that the reserve assets are held with.</p>
		<p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>Binance is supportive of the prudential requirements outlined in paragraph 4.21.</p>



S/N	Respondent	Responses from respondent
		<p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>As per Q1, we would observe:</p> <p>(a) that MAS may wish to provide recognition for foreign SCS operating in SG that meet equivalent regulatory standards in their home jurisdiction. For example, SCS issued under EU MiCA regulation, or SCS issued using currencies referred to in paragraph 4.14 of the CP.</p> <p>(b) that extending regulatory powers of for example, supervision and enforcement to SCS issued outside SG, that operate inside or outside of SG, may be better achieved through existing regulatory cooperation agreements within the financial services sector, including those being developed at the global level by the Financial Stability Board.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>While transfers (including the minting of the stablecoin) are usually real-time once payment is confirmed, as the stablecoin is transacted via blockchain, there should be a provision to account for potential blockchain outages, which is out of the control of stablecoin issuers.</p> <p>In addition, where stablecoins are used as a payment medium, akin to a typical fiat currency, the issuer will not be able to control the turnaround time should the transactions be made outside of the issuer’s platform.</p>
		<p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>With regards to the segregation of the safeguarded assets, Binance notes that MAS is currently proposing that reserve assets must be held in segregated accounts with licensed banks, merchant banks, finance companies or capital market services licensees (CMSLs) providing custodial services in Singapore. Given the loss of investor confidence following the recent insolvencies of a number of high profile cryptocurrency exchanges, Binance would propose that stricter requirements be imposed on the safeguarding of reserve assets for stablecoin issuance. In particular, Binance proposes that the MAS takes reference from the requirements currently imposed by the New York State Department of Financial Services (NYDFS), which requires the reserve assets to be held via a trust in a bankruptcy remote company to further strengthen the level of investor protection in place.</p>
7	Bryan Leow	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p>



S/N	Respondent	Responses from respondent
		<p>MAS may wish to consider the following two points in whether to limit the regulatory scope to solely Singapore-issued Single Currency Stablecoins (“SSCS”).</p> <p>First, it is not certain how widely the proposed scope will be to the current state of play. It would be useful for MAS to clarify how many SSCSs there are currently in circulation and would be required to comply. A Google search of the top ten most popular SCSs show that none of them are issued in Singapore, and that none of them would therefore fall within the regulatory ambit of MAS.</p> <p>Second, while I can appreciate that MAS’ intention is forward-looking (i.e. to allow industry players to issue their own SSCS), the same policy rationale underpinning the regulation of SSCS would apply with equal force to overseas-issued SCSs purchased by Singapore investors on Singapore-based crypto-exchanges (“SCE”). Extraterritoriality would not be an issue if the regulation takes the form of capital reserve requirements in the proportion to the amount of oversea-issued SCS held in the hot wallets of the investors on the SCE. If the investor moves the overseas-issued SCS to his cold wallet, then the investor takes on the risk of any potential depeg. This approach strikes a balance between overreach of our laws, creating discipline in the industry players operating here, and protecting Singapore investors. SCEs would have to determine the strength of their balance sheet and conduct their own due diligence before deciding whether to offer certain SCS to Singapore investors.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>I agree that there should be an additional regulated payment service of stablecoin issuance under the Payment Services Act.</p> <p>MAS may wish to clarify the current universe of use-cases for stablecoins, before determining if there is a need to prescribe that specific services of stablecoins should be regulated. This is because it is not clear if MAS intends that the stablecoins be subject to other MAS-administered Acts aside from the PSA. For example, given that MAS intends to require that the stablecoin is fully backed by reserve assets, the stablecoin would represent a unit in a collective investment scheme if staking services are offered for the particular stablecoin. In which case, the Securities and Futures Act requirements would then apply to the stablecoin and its issuer as well.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>I wholeheartedly agree with requirements imposed on non-bank issuers.</p> <p>In respect of bank issuers, I would suggest that the segregated approach in paragraph 4.6</p>



S/N	Respondent	Responses from respondent
		<p>should be adopted. As MAS observes, this would ensure that SSCS holders would only have claims to the specific pool of segregated reserve assets. This would also maintain broader market confidence in the banks in the event of that the SSCS is destabilized as other investors (in equities / unit trusts) and deposit holders would not be spooked.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>MAS may wish to consider whether the labelling would cause greater confusion about the retail investors. It is not immediately apparent what is the difference between a “regulated stablecoin” and a “qualifying stablecoin”.</p> <p>The usage of the terms is important given that as MAS observed, there are varying standards and indeed very lax standards in language especially when it comes to marketing speak. Not every coin that is pegged to a denominated currency is necessarily a stablecoin.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>I agree with MAS’ decision in respect of 4.13(a), 4.13(b), 4.14, 4.15, and 4.16.</p> <p>My only comment is for MAS to consider whether it is necessary to require that the reserve assets must be denominated in the same currency as the pegged currency. This may pose a problem in the future if a SSCS is issued in a currency that is not SGD or a G10 currency, and the reserve assets denominated in that currency are thinly traded. Given that MAS only intends to initially permit for the issuance of SSCS that are pegged to the SGD or the G10 currency. MAS may instead consider whether it would be better to require that all reserve assets in any SSC be in SGD or a G10 currency (with an appropriate buffer for forex risk), to ensure the availability of the high-quality liquid assets.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>The only comment is for MAS to consider whether the appropriate periods should be aligned to those of unit trust redemptions, although that would also vary depending on the liquidity of the stablecoin in question.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p>



S/N	Respondent	Responses from respondent
		<p>I agree that as a start, there should be higher financial and prudential standards on SSCS issuers compared to the other payment service providers. Given the current issue with opaque lending between exchanges, 4.21(c) is especially welcome.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>Yes, there is no compelling reason why tokenized bank liabilities should be not be subjected to the same redemption and disclosure requirements.</p> <p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>No, there is no compelling reason not to apply the same requirements.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>Considering the speed at which the current crisis occurred, an annual reporting might be too late to spot potential issues with the SCS. As mentioned above, one other method is to require the SCEs to conduct the necessary due diligence by imposing additional capital requirements on the SCEs for overseas or multi-jurisdictional SSCs held in the SCEs' investors' hot wallets.</p> <p>It would certainly be useful for MAS to establish regulatory cooperation among relevant overseas regulatory bodies of SCS to exchange information on the operation, investigations and enforcement of activities relating to SCS.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>If the activity (albeit through the medium of a stablecoin) would be properly classified as a DPT service, then I would think that the better approach would be to regulate it by amending the scope of an existing payment service.</p> <p>As mentioned in my earlier comment above, there is the issue of whether a fully reserve-backed SCS now has the characteristics that may qualify it as a capital market product such as to come under the SFA.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p>



S/N	Respondent	Responses from respondent
		<p>The three business day stipulation is a reasonable timeline. There may however be industry / user expectations on the speed for the transfers, and MAS may wish to consider whether it wishes to communicate to its regulated entities that notwithstanding the three business day stipulation, the regulated entities should strive to ensure that SCS can be transmitted quickly to facilitate commerce and dealings in SCS.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>Yes this is an appropriate measure. Commingling is a troubling issue especially when insolvency proceedings are afoot.</p> <p>In the entities’ annual reporting to MAS, the segregated assets should also be properly accounted for.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>Yes, key entities should be subjected to higher financial and operational requirements. MAS may wish to clarify which entities it considers to be key in a systemic stablecoin arrangement.</p> <p>To my mind, these would not just include the issuers of the stablecoin, but would include exchange platforms which facilitate the purchase of the stablecoin, and in cases where the stablecoin is used as a medium of exchange, the custodians providing hot wallet services to the Singapore user, akin to the e-wallet type providers. Such custodians should be imposed with requirements to restrict the lending out of the stablecoins within their control in order to ensure that there is no risk to the consumer having access to these stablecoins.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>It is great that MAS is taking steps to regulate the use of stablecoins, as quite clearly the global laissez faire approach to DeFI resulted in a larger than expected impact of the global economy.</p> <p>The main issue is one of classification, and of education. In terms of use cases, there is not much that would distinguish a fully reserves back stablecoin from digital fiat. It would therefore not be apparent to the regular Singaporean investor what the difference is between the two, and why one is regulated and one may not be in certain situations. This is especially concerning given the amount of media attention on cryptocurrency and</p>



S/N	Respondent	Responses from respondent
		<p>blockchain technology.</p> <p>MAS may therefore wish to consider whether the regulation of cryptocurrency generally as an investment tool should come within its ambit. An incremental regulatory approach which seeks to regulate only certain categories at each step, may prove subsequently more thorny when dealing with the pace at which the technology and investment trends develop.</p>
8	Circle Internet Financial	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>Circle applauds the Monetary Authority of Singapore (MAS) for working to introduce a regulatory framework that “maintains a high degree of value stability” for stablecoins issued in the city-state, and believes that MAS is correct to treat non-single currency pegged stablecoins (non-SCS) as volatile assets requiring their own robust regulatory framework. We agree that the focus on single currency pegged stablecoins (SCS) is most appropriate for this consultation, given the development of the unique payment and settlement use-cases possible through the adoption of payment SCS. As described further in Response 3, Circle concurs that the use cases for USD Coin (USDC) and other forms of “tokenised cash” SCS require a higher level of regulatory scrutiny to ensure value stability, as well as to ensure the protection of users and intermediaries.</p> <p>Circle has been granted an In-Principle Approval as a Major Payments Institution (MPI) by MAS. We currently follow many of the same standards newly proposed by the Regulatory Approach for Stablecoin-Related Activities, including by ensuring that each USDC is backed one-for-one by cash and High Quality Liquid Assets (HQLA) redeemable at any time by our business customers. Circle’s reserves are attested to by global accounting firm Grant Thornton on a monthly basis and audited yearly, while Circle lists the CUSIP number for each U.S. Treasury Bill held in reserve on the Circle website. As other non-SCS assets employ riskier “over-collateralized” or “algorithmic” stability mechanisms when compared with this fully-reserved model, it would be prudent for MAS to continue to regulate those stablecoins under a Digital Payment Token (DPT) framework, rather than through a bespoke SCS regime that could conflate the risks accompanying the different reserve compositions. The volatility and risks associated with commodity or basket-pegged stablecoins are likewise dissimilar to fiat-backed SCS and should remain out of scope of the Consultation Paper.</p> <p>MAS Regulatory Perimeter and Access to Off-Shore SCS within Singapore</p> <p>Within this context, the goal of elevating SCS assets issued within Singapore is both appropriate and timely, and on the whole, Circle is pleased to see that MAS is looking to scope its regulatory perimeter “based on MAS’ ability to directly impose requirements on the reserve management, redemption policies and prudential standards of the SCS issuer [in Singapore].” However, Circle urges MAS to avoid prohibiting the use of SCS that are already effectively regulated outside of the city-state, or issuing regulations that</p>



S/N	Respondent	Responses from respondent
		<p>supersede regulation in the jurisdiction of SCS denomination. While limiting access to off-shore SCS within Singapore and/or extending MAS requirements to other jurisdictions may be intended to protect Singaporean users, widening MAS’ oversight in this manner could instead have the opposite effect: creating definitional and jurisdictional issues that conflict with regulations for the use of SCS in markets such as the United States and European Union and disincentivizing Singaporean registration. In the worst case, this could limit global adoption of MAS-regulated SCS in a way that reduces the utility and safety of those assets to Singaporean residents.</p> <p>As Singaporean citizens increasingly interact with non-Singaporean Dollar SCS issued in other jurisdictions, calibrating the scope of MAS requirements for off-shore SCS to be used within the city-state will be crucial to a comprehensive digital assets framework. Ensuring that MAS’ framework for off-shore SCS used within Singapore is aligned with the FSB’s Global Stablecoin guidelines (rather than completely bespoke) will enable residents to derive benefits from those properly regulated off-shore SCS with the largest economies of scale, rather than being restricted to SCS that cannot be harnessed to move money internationally. By contrast, limiting the benefits that Singaporean users obtain from the speed and cost savings of the most commonly used digital dollar currencies abroad may instead expose them to increased prudential, legal, and anti-money laundering/countering the financing of terrorism (AML/CFT) risk.</p> <p>Reserve Location Requirements</p> <p>While Circle underscores the importance of segregating reserve assets as a critical component of prudential responsibility for an SCS issuer, we wish to express our reservations with requirements to hold the reserves for SCS assets available in Singapore exclusively within on-shore accounts – especially when those assets are denominated in non-Singaporean Dollar currencies and are issued elsewhere. Circle notes this in response to regulations proposed by MAS that would require that “SCS issuers [hold] all the reserve assets used to back the SCS in circulation in segregated accounts...with licensed banks, merchant banks, finance companies or capital market services licensees (CMSLs) providing custodial services in Singapore.”</p> <p>In instances where a global SCS asset is circulated in Singapore but denominated and minted elsewhere, issuers are currently still responsible to their customers and applicable regulators for backing the entirety of the SCS total supply, whether it resides within MAS’ jurisdiction or not, and thus may need to hold assets abroad to backstop SCS based in other jurisdictions. This fact is likely to pose challenges to effective oversight by MAS of SCS with cross-border payment flows and could complicate redemptions if reserve liquidity is widely fragmented, particularly during periods of market distress. Fragmenting reserve liquidity could also have the undesired effect of reducing regulatory visibility into the total reserve, complicating effective reserve management and supervision. For regulators, this approach would also require a reliable way to determine which non-Singaporean Dollar SCS was being used by Singaporean users, and likewise, under which jurisdictions various digital wallets originated. Circle notes that the only method to do so currently involves crude probabilistic assignment, and that the vast majority of digital</p>



S/N	Respondent	Responses from respondent
		<p>wallets today would defy classification using this measurement. As in the case of traditional asset classes, different jurisdictional requirements for redemptions threaten to trigger large flows between jurisdictions in search of a better market price, further exacerbating instability.</p> <p>Therefore, Circle urges MAS to limit the requirement to hold SCS reserve assets on-shore to Singaporean Dollar SCS assets that have been issued directly within MAS’ jurisdiction, and instead recommends that MAS coordinate its oversight of non-Singaporean Dollar SCS assets possessing off-shore reserves with regulatory counterparts, and in line with guidance issued by international organizations such as the FSB. This solution accounts for the fact that it is not possible to distinguish between fungible USDC issued in Singapore once it leaves the Circle Account and USDC issued in the United States, where Circle is required to maintain reserves for a portion of its USDC balances under its U.S. licensing regime. As noted above, global SCS issuers such as Circle frequently custody assets with financial intermediaries in other jurisdictions, such as the United States and the European Union, to ensure adequate regulatory treatment, and as a result cannot move all reserve assets backing the total supply of USDC to a single jurisdiction. MAS could also require those SCS issuers holding reserve assets outside of Singapore to provide a letter of undertaking or guarantee in order to reflect that the reserve requirements have been met, similar to existing safeguarding requirements for MPIS.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>Circle agrees with MAS on the appropriateness of the Proposed Regulatory Approach to create a new “Stablecoin Issuance Service” under the Payment Services Act. Such a designation under Singapore’s Seven Key Payment Services would be of particular relevance to overseeing issuer reserve management, SCS redemption rights, and prudential standards for those entities which mint and burn SCS in Singapore. As proposed, this would require a non-bank SCS issuer with a volume exceeding S\$5million to possess an MPI license and, for bank issuers, to custody a segregated reserve pool of assets when issuing SCS (with the exception of SCS issued as tokenised liabilities on underlying bank deposits). We agree that the requirements to hold an MPI license are sufficiently stringent, including a physical presence in Singapore with appropriate bookkeeping, a capital buffer of S\$250,000, a security deposit with MAS of S\$200,000, and detailed funds flow for loading and redemption.</p> <p>While Circle supports the above provisions for non-bank issuers of SCS limited to on-shore operations, we wish to reiterate to regulators our ongoing concern with the use of fractionally-reserved tokenised bank deposits as a means of backing SCS assets (see Response 3). Given the risk that banking entities may rehypothecate deposits when issuing stablecoins — in addition to risks to the overall balance sheet from other lending activities, we respectfully note that the danger from the issuance of tokenised bank liabilities is not accurately reflected in the Consultation Paper, especially when compared with the reduced risk from regulated entities issuing tokenised cash backed by HQLA such</p>



S/N	Respondent	Responses from respondent
		<p>as cash and short-duration U.S. Treasuries. In the extreme case, market pressure on a tokenised-deposit SCS could impact bank lending activity or prompt consumer concern and loss of confidence in the SCS reserves, potentially prompting a bank run regardless of the presence of deposit insurance.</p> <p>While Circle does not see a need to introduce further regulated services for stablecoins beyond those articulated above, we do propose adjustments in the current criteria for bank-issued SCS in Response 3. Additionally, we strongly believe that entities which sit in equivalent jurisdictions abroad — such as those that follow FSB recommendations — but that comply with MAS standards should be treated equivalently to those issuers based in Singapore and licensed by MAS in any future framework. As discussed above, failing to allow for the use of those well-regulated SCS that are issued abroad and/or outside of the MAS regulatory perimeter may prevent Singaporean customers from taking advantage of the network effects of the most widely-used SCS assets and incentivize foreign unregulated issuers to instead market riskier products and services.</p> <p>Question 3.</p> <p>MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>Circle agrees that the licensing framework set out by MAS for non-bank SCS issuers, including the treatment as MPIs noted above, is appropriate and adequate to ensure financial stability. We applaud MAS’ efforts to secure equivalent regulatory outcomes, as well as to avoid basing treatment solely on the institutional classification of the issuer, while likewise scaling regulations for SCS issuers in a progressive fashion. In designing a parallel regime for bank SCS issuers, we believe it is important for authorities to avoid relying solely on the existing regulatory regime governing traditional banking activities, and to ensure that the combination of SCS and traditional banking activities are appropriately managed and separated where necessary or appropriate, consistent with proposed FSB guidance. To that end, we believe regulators should pay particular attention to the management of the underlying assets backing an SCS, taking into account any non-SCS activities engaged in by the bank or non-bank issuer that could impact reserve management, whether involving crypto-asset services or traditional banking activity.</p> <p>Specifically, Circle believes that there is sufficient differentiation within the tokenised SCS category to merit a nuanced treatment of tokenised bank liabilities versus SCS fully backed by high-quality reserves, or “tokenised cash.” Tokenised cash consists of a stablecoin fully reserved by cash and cash equivalents, such as short-term government obligations of the highest quality and liquidity. Tokenised cash SCS such as Circle’s USDC carry lower market risk, lower credit risk, and higher liquidity relative to “tokenised deposits.” To illustrate the differences, USDC reserves are entirely composed of cash and cash equivalents: with short-term U.S. Treasury Bills constituting around 80% of the reserves with the remainder composed of deposits at a variety of licensed depository institutions. Conversely, tokenised deposits under the proposed SCS framework could be backed 100% by fractionally reserved deposits at a single bank subject to different reserve and prudential requirements as SCS.</p>



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		<p>To highlight the differences in liquidity, Exhibit 1 (see below) compares the liquidity coverage ratio of USDC under different stress assumptions relative to the average of the eight U.S. Global Systemically Important Banks (GSIBs):</p> <p>Exhibit 1: Liquidity ratios of USDC and that of U.S. GSIBs under varying assumptions. [See document submission for referenced table]</p> <p>Exhibit 1 contrasts the liquidity ratio of USDC calculated under different run rate assumptions as of 5 August, 2022. This calculation is based on the USDC reserve as of 5 August, 2022 and is broadly reflective of the general reserve mix of 80% Treasury Bills and 20% bank deposits. At the time of recording, the total circulation of USDC was \$54.29 billion, with the amount of HQLA consisting of Treasury Bills whose maturity equaled less than 90 days totalling \$42.47 billion. Exhibit 1 therefore reflects that even in the case of an extreme run on USDC with no inflows, liquidity ratios for tokenised cash far exceeded the average of the eight U.S. GSIBs. For details on methodology, see Liao (2022).</p> <p>As is the case for Circle’s USDC and for MAS-regulated non-bank SCS, tokenised cash does not inherently involve additional counterparty credit risk when the reserves are held in wholly segregated accounts and designated for the benefit of tokenised cash holders. Non-bank SCS issuers that hold reserves of HQLA and cash do not lend their reserves and, therefore, would encounter only market and operational risks while avoiding risks from bad debt – assuming their funds were properly segregated. With a proper resolution and recovery framework, tokenised cash can allow users to have the same level of legal rights as ownership of the underlying fiat currency.</p> <p>Circle maintains that the representation of risk allowed under the MAS framework for bank-issued, regulated SCS does not match the lower risk from MAS-regulated non-bank SCS issuing tokenised cash backed by HQLA. We wish to stress again that this difference in prudential risk — with bank-issued SCS carrying additional credit and market risk — should be taken into account in finalizing Singapore’s regulatory framework, and we caution that any capital buffer requirements must be properly tailored to account for the reserve assets and systemic risk profile underpinning SCS arrangements. Circle encourages authorities to consider creating alternate standards for issuers of tokenised cash and/or to ensure that all SCS issuers can meet the same rigorous standards. Such a uniform “tokenised cash” standard — rather than one classified by institution — would allow both bank and non-bank issuers to hold lower capital buffers on their balance sheet when compared with tokenised deposits or other SCS. Absent an additional “tokenised cash” standard, alternate requirements for tokenised bank liabilities could include additional disclosures, segregation of funds from banking liabilities, or progressive requirements above the threshold for Singapore’s Deposit Insurance Corporation (SDIC) of \$75,000.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p>



S/N	Respondent	Responses from respondent
		<p>Single, consistent, and clear definition and treatment for bank and non-bank SCS issuers is appropriate and ultimately serves the purpose of protecting the public. That said, as underscored in our response to Question 3, significant differences exist in the inherent risk profiles of fully-reserved, non-bank SCS issuers in relation to fractionally-reserved bank issuers, with implications for necessary and appropriate prudential and regulatory requirements. Accordingly, we recommend – even if labeling remains consistent – that fractionally-reserved assets receive reserve, prudential, and disclosure requirements that are commensurate with the approach for non-bank SCS, rather than creating a “dual-standard” for taxonomy of licensed SCS issuers.</p> <p>In regards to specific terms, Circle believes that language reflecting “regulated” or “securely-backed” stablecoins effectively outlines the distinction between instruments that have received MAS approval and are undergoing regulatory supervision from those that have not.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>Circle believes that the proposed reserve asset requirements are appropriate, provided, as noted above, that total SCS assets are not required to be held in Singapore. In line with FSB recommendations, we also underscore the importance of robust cooperation between jurisdictions — particularly with those where SCS are denominated — to encourage similarly high reserve asset standards as that of MAS-regulated SCS outlined in section 4.13 – 4.17. We note that Circle adheres globally to such standards in our management of USDC reserves.</p> <p>Regarding unintended consequences, we reiterate that the lack of limits on bank deposit holdings could import risks from commercial banking activities to SCS, similar to tokenised bank liabilities.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>Circle generally agrees that five business days is an appropriate and reasonable time period for SCS issuers to process legitimate redemption requests; however, we request additional clarification with respect to two areas in order to reduce uncertainty and doubt for issuers, DPTs, and holders:</p> <ol style="list-style-type: none"> 1. Circle would welcome greater clarity around the definition of “holder.” Specifically, we request clarity on whether holders extend solely to customers of an issuer and whether or not they are included in the transmission requirements for DPT service providers (section 5.4). For example, in the case of a DPT service provider custodialing an SCS on behalf of a customer, would the DPT service provider or the end user be considered the holder?



S/N	Respondent	Responses from respondent
		<p>2. Circle likewise seeks clarification from MAS on the three business day transfer requirement for DPT service providers. For example, which entity would be liable in the event that an SCS issuer redeems an SCS held by a DPT service provider within the required five business days, but the DPT service provider fails to pay its customer within three business days? Would the three business day requirement for DPT service providers be included in the five business day requirement for SCS issuers — essentially giving SCS issuers that do not offer parallel DPT services only two business days to redeem?</p> <p>As a company that solely serves businesses (such as DPT service providers), Circle provides its customers with a legal right to directly redeem Circle-issued stablecoins. USDC is structured to ensure holders of USDC have assurances and rights that minimize risk to the level prescribed for non-bank SCS issuance. U.S. money transmitter licences, under which Circle is currently regulated, mandate that Circle maintains legal title to the USDC reserves but does not have an equitable interest in those reserves, unlike a bank or an unregulated financial institution. USDC reserves are assets that belong to USDC holders, not Circle, and they are wholly held in segregated accounts designated for the benefit of USDC holders. Circle is not allowed to use the USDC reserves for any other purpose. Circle cannot fractionalize or lend out the reserves, cannot borrow against them, and cannot use them to cover the firm's operating costs, by law.</p> <p>As a result, Circle believes that a critical component of a redemption model that promotes financial stability and consumer protection should include requirements on intermediaries and service providers who onboard and conduct compliance due diligence on USDC holders. Such a tiered system would include reasonable requirements on both DPT service providers offering SCS transmission — as well as issuers — to ensure adequate legal protections and timely redemption for SCS holders.</p> <p>Similar frameworks currently exist, such as for e-money in the European Union. According to several national transpositions of the E-money Directive, an Electronic Money Institution (EMI) can engage a distributor through a contractual arrangement to distribute e-money on its behalf. Holders of e-money obtained from a distributor then have a direct redemption right and claim against these distributors rather than the EMI itself. This model increases competition and consumer choice because users can select from many different e-money distributors instead of being forced to become a customer of the EMI directly. It also reduces operational load and increases operational resiliency of the EMI and the e-money itself by distributing consumer-facing functions across many different entities.</p> <p>Creating a tiered system also reduces the buildup of systemic risk in the SCS issuer. For example, in the event of large-scale redemption, an issuer would be forced to provide direct redemption to a large number of possible token holders regardless of whether they had been onboarded and screened as a customer. Even under normal conditions, direct, timely redemption rights can complicate robust AML/CFT and KYC requirements, which may include redemption requests originating from or subject to third-country AML/CFT requirements. In contrast, such a tiered structure creates requirements and incentivises</p>



S/N	Respondent	Responses from respondent
		<p>intermediaries and service providers to safeguard holder funds and undertake appropriate risk management. In order to prevent rushed or incomplete KYC onboarding, we encourage MAS to alter the redemption standard to define “legitimate redemption request” as a request from a holder or holder’s designee that has onboarded successfully — rather than the current standard of legitimate request from a holder that “can meet the SCS issuer’s onboarding requirements.” This would ensure timely redemption rights for holders of SCS while allowing issuers to conduct appropriate risk-based due diligence.</p> <p>Finally, Circle believes that enshrining legal rights to holders in the event of insolvency of the SCS issuer or DPT service provider is equally important to a tiered system for redemption rights. Circle-issued stablecoin reserves are held in segregated accounts apart from Circle’s corporate funds, on behalf of, and for the benefit of holders. Such backstops can be seen as a final line of defense to preserve holders’ rights in the event that a servicer or intermediary goes bankrupt or experiences challenges that prevent timely redemption.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>Circle broadly supports the prudential requirements defined in Section 4.21 as the foundation of “payment stablecoin” or “tokenised cash SCS,” which carries lower market risk, credit risk, and higher liquidity relative to “tokenised deposits.”</p> <p>While we recognize the importance of 4.21(c) — particularly in light of the recent collapse of FTX Trading and consistent with the FSB’s High Level Recommendation 10 — Circle believes it is important to strike a balance between risk mitigation — in lieu of a comprehensive risk-based capital regime — and permitting entities to support, or potentially even offer, the infrastructure necessary to engage in SCS activities. Such activities may include (but are not limited to) lending or staking of SCS and other DPTs, or the support of decentralized protocols. To maintain this balance, we recommend MAS scope the restrictions to ensure that SCS issuance and any affiliated activities can be separated through legal structures that permit the affiliate to offer certain services that will not expose the SCS, or issuer, to increased risk. In tandem, MAS could place requirements that SCS reserve assets cannot be used to finance any form of business activity for the SCS issuer. We believe this combination would effectively ring-fence risk across business activities while allowing legally separate entities to support development of the SCS arrangement.</p> <p>Additionally, as it relates to 4.21(a), we would encourage specific clarification in the SCS regulations that the base capital requirements of “[h]igher of S\$1 million or 50% of annual operating expenses of the SCS issuer” applies only to Singapore-based operations of an SCS issuer, which we believe is reasonable for addressing prudential risk.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p>



S/N	Respondent	Responses from respondent
		<p>As noted in the response to Question 3, Circle believes that there are meaningful differences between the risk profiles of tokenised cash and tokenised bank liabilities for which regulators should account. While bank SCS issuers would continue operating under Singapore’s robust bank regulations — including deposit insurance protections — we do not feel that this would entirely ameliorate the additional risk, leverage rates, and asset liquidity fragmentation resulting from issuing digital assets on a bank’s balance sheet.</p> <p>Specifically, tokenised deposits introduce instability by adding both a market price to bank deposits and tradability, factors which could encourage bank runs in addition to the destabilizing short sale of bank liabilities. Due to the nature of the fractional reserve banking model, banking institutions may either accidentally or intentionally lend the deposits backing tokenised bank deposit SCS to other parties, rendering the tokenised deposit unavailable for redemption and increasing the chances of a liquidity crunch. While deposit insurance is intended to address these concerns, the presence of said insurance may actually worsen the problem: encouraging users to spread tokenised deposits among a number of institutions below the deposit limit in a way that furthers any contagion.</p> <p>Given the additional prudential, credit, and counterparty risk carried by fractionally reserved collateral, Circle recommends that consideration be given to modifying the reserve, prudential, and disclosure requirements of SCS backed by tokenised deposits to make them at least commensurate with requirements for SCS backed by tokenised cash. While a uniform tokenised cash standard would give consumers clearer interpretation of the risks attendant with regulated SCS issuance, MAS could alternatively require additional disclosures for tokenised deposit holders above the \$75,000 threshold for Singapore deposit insurance.</p> <p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>Circle believes that segregation and equivalent full-reserve backing of all SCS would address the major differences between tokenised cash and tokenised bank deposit SCS. Such requirements would address the additional risks that linkage between claims on banks, either tokenised or traditional, would introduce on top of those of the underlying reserve assets, such as fractionally lent reserves. Coupled with a proper recovery and resolution framework, a segregated structure would ensure the continued ownership of the underlying traditional asset by the token holders in the event of an issuer default or stress in other credit or depository activities.</p> <p>As part of its risk management framework, Circle maintains a wind-down plan reviewed by senior management and its Board of Directors. Should it become necessary, Circle can cease its activities in an orderly manner while mitigating external harm to its customers, counterparties, and the financial system. The wind-down plan in its current form ensures timely decisions related to the highly unlikely event of insolvency proceedings. The plan also specifies the financial and non-financial resources required for the orderly wind-down</p>



S/N	Respondent	Responses from respondent
		<p>of Circle products and the return of all customer funds. Ensuring that all SCS issuers have similar policies should be a key part of classification across issuer standards.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>Circle agrees that Scenario 4.22, wherein “the same SCS may be issued...by other related companies of the same SCS issuer in Singapore...[with] the stability of the SCS value [depending] on whether other issuing entities are subject to equivalent regulatory requirements,” will be an increasingly common business model given the increasing use and utility of global SCS in cross-border payments and settlement. Indeed, Circle itself issues USDC across the US, EU, UK, and Singapore and will likely seek to do so in other jurisdictions, subject to appropriate regulatory approval, as the payments use-case for fully-reserved and regulated tokenised cash expands.</p> <p>Under current market conditions, we note that SCS are denominated primarily in non-Singaporean Dollars and, as a result, see the bulk of minting and burning taking place outside of Singapore. We applaud MAS’ preparedness to recognize SCS with multi-jurisdictional issuance, provided there is sufficient assurance that the whole SCS is subject to effective regulation, and agree that this approach is feasible with sufficient regulatory cooperation. Non-Singapore Dollar SCS issuers such as Circle will likely need to undertake both minting and burning activities subject first to their own host country’s regulatory framework, while taking any additional measures necessary to adhere to the requirements of foreign issuing jurisdictions such as Singapore. From an issuer standpoint, Circle believes that doing so will meet the criteria laid out in MAS’ Consultation Paper Section 4.23 while ensuring that USDC and other tokenised cash is available for use in a number of jurisdictions.</p> <p>However, there remains the potential for discrepancies between regulatory regimes to create conflicts or gaps in requirements. While Circle is actively engaged with regulators across jurisdictions, we believe that authorities play a central role in fostering “efficient and effective communication, information sharing and consultation...[in ensuring] comprehensive regulation, supervision, and oversight of a GSC arrangement across borders and sectors,” as stated in the FSB’s High Level Recommendation 3. To facilitate global coordination, it will be critical for authorities to ensure mechanisms for cross-border exchange to prevent SCS issuers from engaging in arbitrage outside of their regulatory perimeter. Establishing regulatory cooperation is therefore Circle’s recommended approach to address discrepancies in the SCS framework.</p> <p>The Proposed Regulatory Approach also provides a path for “the SCS issuer in Singapore to obtain and submit to MAS an independent attestation on an annual basis that other significant issuers of the SCS are deemed to meet equivalent standards relating to reserve backing and prudential requirements.” Circle agrees that independent audits can be a pathway toward ensuring that off-shore stablecoins meet MAS’ high standards without requiring undue efforts by regulatory agencies, particularly when an issuer in Singapore is</p>



S/N	Respondent	Responses from respondent
		<p>itself an issuing subsidiary of a global company, as in the case of USDC.</p> <p>However, this path will require clear and comprehensive guidance for auditors to evaluate whether Singaporean regulatory requirements are equivalent in foreign jurisdictions and have been sufficiently met. In determining that guidance, we encourage MAS to identify specific quantitative and qualitative targets – such as reserve composition and management and governance structure – rather than require auditors to make an assessment of regulatory adequacy, a decision that is difficult to apply outside of the Singapore context and that should be left to MAS.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>Circle does not have any additional comments on activities related to SCS and DPT services beyond those related to the legal rights and redemption of holders funds as noted in response to Question 6.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>Circle believes that three days is a reasonable timeframe for SCS transmission, although, as noted in response to Question 6, acknowledges that the requirement should include the redemption of SCS to fiat currency. In the event that this requirement results in an SCS issuer being de facto given only two business days to fulfill redemption requests to DPT service providers, Circle believes additional consideration should be given to the timeline for DPT transmission.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>Circle concurs that the segregation of customers’ funds is important and appropriate not only to mitigate the risk of their misuse but also to protect customers in the event of insolvency of either a DPT service provider or of an SCS issuer itself. Circle-issued stablecoin reserves are held in segregated accounts apart from Circle’s corporate funds, on behalf of, and for the benefit of, holders.</p> <p>An option — in addition to the segregation of customer funds — to enhance consumer protection and decrease the likelihood of misuse of customers’ SCS is to require different business activities, for example trading, market making, or custody, to be conducted by different DPT service providers. Such separation would be consistent with the FSB’s proposed Recommendation 9 for Crypto Assets which, if coupled with a segregation of assets, would hinder a DPT service provider from misusing customer SCS.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of</p>



S/N	Respondent	Responses from respondent
		<p>systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>Circle appreciates efforts by MAS to protect the smooth functioning of payment systems available to Singaporean users by “making relevant amendments to the Payment Stablecoin Act...[that] empower MAS to collect information on the stablecoin arrangement from relevant persons in Singapore, such as SCS intermediaries and validators of transactions.” This mandate dovetails with the strengths of permissionless distributed ledger technology (DLT) networks, as regulators inherently have access to publicly available blockchain intelligence and analytics that can monitor incoming and outgoing transactions, as well as the behavior of validators, to develop a clear picture of network activity. We encourage regulators and MAS to take advantage of such capabilities, as they offer a proven way for authorities to monitor DLT networks for stability and soundness. Circle is also broadly supportive of higher financial and operational requirements for SCS that are labeled as Designated Payment Systems (DPS).</p> <p>Beyond third-party analytics, however, Circle encourages MAS to ensure that reporting obligations are not ultimately placed on underlying blockchain or DeFi protocols, including validators, that are unable to self-report – for example, because they lack identifiable operators or are located abroad. Because blockchain networks are frequently designed to function without a central authority; may be made up of hundreds of pseudonymous node operators; and/or are geographically distributed beyond national borders, we suggest MAS consult with industry leaders as part of a comprehensive process to develop systemic reporting guidelines. As one example, MAS could limit these reporting requirements to centralized SCS issuers such as Circle, as well as centralized exchanges that provide fiat on-ramping services within MAS jurisdiction. This focus would allow MAS to preserve the benefits of open-source network infrastructure while protecting the integrity of SCS assets available to Singaporean users.</p> <p>Circle also wishes to express its reservations about other aspects of the proposal to label SCS as DPS, including authorities which give MAS the ability “to regulate access rules for participation, impose restrictions and conditions, establish standards, make regulations, approve and remove chief executive officers and directors, approve substantial shareholders and other controllers, issue directions and inspect DPS operations.” Such authority would be difficult for MAS to exercise across jurisdictions, and may bring Singaporean regulators into conflict with the laws and regulations of those jurisdictions where international firms are domiciled, as well as the guidelines of international organizations such as BIS, FSB or IOSCO. Likewise, overly-broad or aggressive efforts to manage the personnel of on-shore SCS firms may drive companies off-shore instead, reducing the adoption of robust, internationally-recognized stablecoins regulated by Singaporean authorities.</p> <p>To avoid potential issues, Circle recommends that MAS avoid designating SCS entities that are denominated in foreign currency as DPS, and strongly encourages MAS to lay out strict</p>



S/N	Respondent	Responses from respondent
		<p>guidelines for instances where this authority over on-shore DPS entities might be exercised within Singapore’s borders. In a similar manner, it will be important for MAS to designate only the centralized service providers issuing SCS as a DPS, rather than the underlying blockchain architecture, smart contracts, or non-custodial wallets. As previously discussed, well-established blockchain networks have a variety of governance and consensus mechanisms, and some systems will be able to comply with regulatory direction better than others. Circle currently issues USDC on nine different blockchains after conducting careful vetting of each one, and believes it is important to continue to provide these services in an open and publicly available fashion.</p> <p>Finally, we believe it is important for MAS to focus on the systemic risk of SCS providers to Singaporean users without making a similar determination on the systemic risk posed by global stablecoin arrangements outside of its regulatory perimeter. Doing so may conflict with designations from entities such as the FSB, which is in the process of creating its own overarching standards. Circle is confident that the provisions of thorough auditing reports that certify stablecoin reserves are held on-shore and include adequate prudential controls will address any risk of systemic stablecoin arrangements failing, and should arm MAS with the data it needs to make determinations on the systemic significance of tokenised cash within its own jurisdiction.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>Circle fully supports making changes to the Finality and Netting Act of 2022 (FNA) to exempt certain SCS arrangements from laws that would threaten transaction finality. While we continue to have concerns about the impact of DPS designations on the functioning of both on-shore and off-shore SCS issuers, we likewise acknowledge the importance of protecting systemically important payment systems from disruptions to settlement, including from the law of insolvency, and understand that MAS will need to designate those affected SCS as DPS to ensure protection as the law is currently written.</p> <p>Circle agrees that such an approach is in line with past changes made by MAS, which have included widening the period during which transactions have enjoyed finality, providing clarity in designation criteria and increasing MAS’ administrative authorities. Because the transfer of SCS on a properly-decentralized distributed ledger is practically irreversible, such changes would also have important legal implications on the recognition of DLT technology and help cement Singapore's leadership as a regulator of responsible innovation in the digital asset sector.</p>
9	DigiFT	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>DigiFT, as a decentralized digital asset exchange in the MAS Sandbox, facilitates the trading of security tokens using fiat currency and SCS (including USDC). We agree with the</p>



S/N	Respondent	Responses from respondent
		<p>regulatory objective to maintain a high degree of value stability in SCS. It will provide investors added assurance on their digital transactions.</p> <p>We would also urge MAS to allow SCS issued outside of Singapore to apply to be recognized as issuers of MAS-regulated SCS given that the decentralized finance is global in nature. This will help to grow Singapore as a digital asset hub.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>MAS may want to address the specific regulation requirements for dealing in SCS or facilitating the exchange of SCS (i.e., the SCS equivalent of DPT Services), in addition to payment service of stablecoin issuance.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>We think that a single label for bank and non-bank issued SCS that MAS regulates will be easier for the public to understand, provided that the regulatory regime does not disadvantage a non-bank issuer in terms of infrastructure and resources. We would like to propose “MAS recognised stablecoin” to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>We think that multi-jurisdiction issued-SCS or even DAO issued-SCS is a possible development and the approaches outlined in paragraph 4.24 are feasible.</p>
10	Dr Christian Hofmann	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>If MAS’ regulatory focus is on the protection of (retail) investors, MAS should consider widening the scope of stablecoin regulation to include all types of stablecoins, not just SCS. The reason is that non-SCS can be expected to attract as much interest from investors as SCS.</p> <p>The suggested limitation of the most intrusive regulatory approaches to SCS allows for regulatory competition among jurisdictions. Different regulatory regimes for SCS and non-SCS might give SCS providers that seek to establish an SCS-based payment system an advantage over foreign or global stablecoin arrangements if only SGD-pegged stablecoins receive a “quality label” of compliance with a specific (and stricter) set of regulatory</p>



S/N	Respondent	Responses from respondent
		<p>requirements.</p> <p>Whereas such an approach appears feasible and reasonable, it should be combined with a general reform of the PS Act that addresses all risks inherent in any stablecoin arrangement. Algorithmic stablecoins that are traded globally pose the highest risks to investors in Singapore and will, under the current MAS proposals, be regulated by the general rules applicable to all DPT. This warrants significantly enhanced regulatory interventions affecting all DPTs that seek to adequately address the general risks of investments in stablecoins for (retail) investors.</p> <p>Systemic risks for Singapore’s financial market are also most likely triggered by non-SCS, a fact that needs to be considered under the proposed framework for systemic stablecoin arrangements (see also answer to Q14).</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>The answer to this question again depends on the regulatory reforms planned for DPT services in general. If stablecoin issuance becomes a new service regulated in the PS Act, all amendments to the PS Act must henceforth provide adequate safeguards for stablecoins as well as all other types of DPTs. The outcome would be generally raised standards. Regulatory requirements perceived as necessary for the riskiest type of DPT would henceforth apply across the bench to all types of DPTs, resulting in generally high levels of protection across the board, but also in generally high compliance requirements for all DPT service providers.</p> <p>The opposite scenario should be avoided. DPT types with the lowest perceived levels of risk for relevant stakeholder groups should not be used as a regulatory blueprint that applies to other DPT forms that come with higher risks.</p> <p>A third – and probably best – option would be a wide definition of DPT services that encompasses stablecoins combined with a regulatory regime in a reformed PS Act that distinguishes different types of DPT and subjects service providers to harsher or more lenient regimes depending on the risk profiles of specific types of DPT. This would allow to distinguish SCS from other stablecoins and lead to stricter regimes for algorithmic stablecoins and differentiation of asset-backed stablecoin arrangements according to the underlying asset classes. Especially cryptoasset-backed stablecoin arrangements should be subject to detailed disclosure requirements and regulatory oversight.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>We suggest subjecting bank-issued stablecoins that serve as short-lived facilitators of payment settlements to one regime, and other bank-issued stablecoins to another. For the first type of bank-issued stablecoins, a regime comparable to the one that (globally) applies to e-money creation appears intuitive. Currency (cash or scriptural money) received in exchange for issued e-money does not form part of the general pool of financial assets that banks are allowed to use for the whole range of their business</p>



S/N	Respondent	Responses from respondent
		<p>activities. It must be kept separately (custodian principle) and is reserved for the sole purpose of settlement of e-money-facilitated payments. It appears intuitive to subject bank-issued stablecoins that serve the same purpose (short-term facilitation of payment settlements) to the same requirements.</p> <p>In contrast, bank-issued stablecoins that serve other purposes and are intended to exist for longer periods of time should be treated like other liabilities and be subject to the regulatory restrictions applicable to these liabilities. In turn, all consideration received for the acquisition of these stablecoins could be freely used by banks and would consequently be treated like any other asset for regulatory purposes.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>Based on our comments above (response to question 3), we would suggest using different terms for three categories of SRS:</p> <ul style="list-style-type: none"> • non-bank issued stablecoins (eg termed “regulated stablecoins”), • bank-issued stablecoins uniquely used for payment settlement purposes (eg termed “qualified bank stablecoins” or “designated bank stablecoins”), and • bank-issued stablecoins for other purposes (“general bank stablecoins”). <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>The regime proposed by MAS appears quite burdensome to new market entrants. However, such high entry requirements seem well justified because a stablecoin arrangement is only deserving of its name if high standards of compliance requirements reduce the risk of significant losses for the holders of such tokens. These holders expect low risks of loss as a result of the stabilising mechanisms built into the stablecoin concept. However, a question that arises is whether there is much of a perceived need for a SGD-pegged (or other single currency-pegged) stablecoin in Singapore. The internal settlement of payment transactions works exceptionally well in Singapore. SGD transfers are instantaneous, and payment apps that facilitate these transfers are user-friendly. In this domestic environment, Singapore is clearly a leading market. The only issue that exists for such domestic payments is of a legal nature. Liability risks are high because neither the PS Act nor case law provide a compulsory legal framework that adequately addresses liability risks for (retail) payment service users resulting from third-party fraud (scams, hacks, malware, etc.). This issue can be fixed by introducing legislation (or legally binding MAS regulation) and does not require the introduction of stablecoins as a potential loss-avoidance mechanism.</p> <p>What Singapore needs (irrespective of the issue of legal uncertainty) is a more effective, faster and cheaper mechanism for cross-border transfers of money. Here, the dominance of banks has led to innovation delays resulting in lengthy settlement periods and high cost, and competition from new market entrants would seem beneficial. Stablecoins that</p>



S/N	Respondent	Responses from respondent
		<p>can be acquired for a range of national currencies and can invest in diversified pools of assets (eg money market products and highly rated bonds from a range of global issuers) would appear much more suitable for such cross-border (transnationally) operating stablecoins. The result may be that investors in Singapore favour such global stablecoin solutions over domestic SCS. As a result, it appears necessary for MAS to prepare for a robust regulatory response to the advent of such facilitators of cross-border payments, ideally by preventively addressing them in the PS Act (as suggested in our responses to questions 1 and 2).</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>Banks are strictly regulated financial intermediaries. Typical risks of the banking business, especially the default risk, are widely known (to retail customers) and addressed by prudential regulation. In these respects, banks can be treated differently from other issuers of stablecoins. However, stablecoins themselves are a new phenomenon, and as far as information about this new financial product is concerned, a bank should not be a privileged issuer. It should be subject to the same disclosure and redemption requirements as any other issuer of stablecoins and additionally be required to inform about the differences between stablecoins, deposits and e-money in terms of usage, repayment/redemption, risk of loss and returns (to avoid any misunderstandings among retail customers based on the fact that they are dealing with a bank and hence a provider of a diverse range of financial services).</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>The most probable scenario would be a multi-jurisdictional or foreign stablecoin scheme with global reach. It would appear possible that such a scheme, founded and managed by globally operating payment service providers, e-commerce companies or social media enterprises would establish an entity in Singapore to offer its tokens locally. However, it would most likely do so by way of a multi-currency stablecoin (defined as a stablecoin that can be acquired and redeemed for a basket of currencies) to which the definition of an SCS does not apply (and which therefore does not qualify for the quality label “MAS-regulated SCS” anyway). However, if a multi-jurisdictional SCS should indeed exist and be offered in Singapore, MAS should predominantly rely on its regulatory approach that MAS suggests in para. 4.24 criterion b of this consultation paper). We would like to reiterate (see above in response to questions 1 and 2) our preference for a robust and stringent regulatory regime for all types of stablecoins that pursues two of the most essential objectives of financial regulation (ie retail investor protection and financial stability).</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p>



S/N	Respondent	Responses from respondent
		<p>Especially since Singaporean courts have repeatedly attributed proprietary rights to the holders of “cryptoassets” (a wider term of which DPTs represent a sub-group) and emphasised the need for adequate protection of these rights, regulation should play its part in this strive for protection. Segregation of customers’ SCS (and more widely of all DPTs) in custody accounts for the avoidance of commingling and loss should be a requirement applicable to the providers of SCS services (and preferable to all providers of DPT services).</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>Stablecoin arrangements become systemic when failures in their liquidity management spread to other parts of the financial sector. The (globally led) discussion of appropriate regulation of systemic stablecoin arrangements focuses mostly on their similarity to money market funds and suggests empowering supervisory authorities with intervention powers that are similar to those that apply when money market funds come under liquidity pressure. These intervention powers come in addition to prudential requirements that seek to prevent buildups of liquidity issues. Similar to these regulatory requirements applicable to MMFs, regulation in Singapore should prepare for systemic stablecoin arrangements and foresee the need to regulate the investment profiles of stablecoin reserves so that these stablecoin arrangements are ex ante prepared for sudden liquidity outflows. Additionally, MAS should be authorised to intervene in situations in which stability risks build up (eg intervention powers that suspend redemption options).</p>
11	Duane Morris & Selvam LLP	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>We agree with the scope. Firstly, the focus on regulating SCS is in our view appropriate, because it is the only stable coin which most observers would regard as stable enough to be given a different definition and a different regulatory treatment from DPTs. We concur that other less “stable” coins be treated as regular DPTs from a regulatory perspective. Second, it makes sense to only regulate local SCS issuers, in order to develop our local system (giving local SCS a stamp of approval and legitimacy) which will be an advantage in the global market. Requiring all SCS issuers (including foreign issuers) to be licensed before issuing to Singapore users will on the other hand will be extremely prohibitive and effectively lock out Singapore users from participating in the industry (since most of the industry runs on foreign-issued stablecoins like USDC as their fiat-equivalent transaction medium).</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p>



S/N	Respondent	Responses from respondent
		<p>We believe that the proposed changes are sufficient. Under the current Payment Services Act 2019 (“PS Act”) framework, stablecoins are treated as DPTs. In accordance with the current scope of the PS Act, entities that deal in and/or facilitate the exchange of stablecoins therefore fall within the scope of regulated DPT services.</p> <p>However, stablecoin issuers are presently not regulated in terms of ensuring the value stability of stablecoins. Accordingly, the “Stablecoin Issuance Service” will regulate entities based in Singapore that perform the function of controlling the total supply, minting and burning of a SCS. Such an SCS will be labelled using a specific term, such as “regulated stablecoin”, “qualifying stablecoin” or “securely-backed stablecoin”. This is well balanced with the PS Act as activities relating to other types of stablecoins, including algorithmic, commodity-backed, multi-currency and other types of stablecoins, will continue to be subject to the existing DPT regime under the PS Act.</p> <p>Perhaps MAS could consider issuing a Code on the issuance of SCS. It will provide the requirements for the issuer to act within certain boundaries, which may include but is not limited to having in place requirements such as prospectus, factsheets, advertising, assets segregation and custody, valuation, or reporting of errors by issuers.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>Given that banks are already heavily regulated as an entity subject to stringent capital and risk requirements, we believe the same regulatory approach should be applied to both bank and non-bank SCS issuers. Regulatory requirements should be implemented based on a risk-based approach where the type, nature and impact of the activities offered by the particular institution are assessed, regardless of the sector which it originates from. This ensures that the high degree of value stability of SCS can be maintained. Perhaps this could be regulated or guided by a code of practice to standardise the safeguarding of products issued to the public.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>A single label for bank and non-bank issued SCS is necessary and avoids causing public confusion if separate labels were adopted. A more generic and easily understandable term should be used such as “MAS Registered Stablecoins”, given the intention for this label to act as a “quality assurance” label. With that being said, even with the different categorisation of stablecoins, it is important to evaluate the eligibility of the SCS when these products are brought for registration with the MAS.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are</p>



S/N	Respondent	Responses from respondent
		<p>appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>We agree that value stability is important and we agree with the proposal that SCS issuers must hold reserve assets in cash equivalents or short-dated sovereign debt securities that are at least equivalent to 100% of the par value of the outstanding SCS in circulation. We believe SCS is similar to money market funds and the regulatory measures of such funds can be a useful reference to address the riskiness and liquidity of SCS.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>In relation to the regulatory requirements proposed in paragraph 4.21, we propose to peg the base capital requirement at a percentage of 15% of the total SCS value in circulation. We believe that the current proposal of higher of S\$1 million or 50% of annual operating costs may favour larger SCS issuers since a higher operating cost would naturally translate to a higher base capital. Moreover, using operating costs as a benchmark does not provide an adequate cushion should the values of the reserve assets become volatile.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>This follows the “same risk, same rule” principle espoused earlier and tokenised bank liabilities should also be subject to the same redemption and disclosure requirements.</p> <p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>We note that base capital requirements may not be relevant for banks exploring SCS issuance services, to the extent banks already have base capital requirements exceeding any proposed requirements for a SCS issuance service.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>Yes, the scenario where multiple parties (e.g as part of a coalition or consortium) are approved to issue the same fungible SCS in the future is possible and likely. This enhances the accessibility of customers who under such model are able to on-ramp without incurring unnecessary money transmission or exchange rate costs. In such instance, the Singapore-based entity looking to register the SCS with the MAS would have to demonstrate that each issuer in the network can provide the same protections as required by the MAS.</p>



S/N	Respondent	Responses from respondent
		<p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>We believe that the segregation and independent custody of customers’ SCS by SCS service providers are necessary. We stress that SCS is similar to money market mutual funds in nature and the independent custodial function of such funds is similarly very important. We further suggest that DPT services providers should be subject to this requirement in relation to all SCS (i.e. including foreign-issued SCS, not just the MAS-regulated, locally issued SCS).</p>
		<p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>We are of the opinion that it is important for MAS to define what type of SCS users will be considered “key entities” of a systemic stablecoin arrangement. We agree with the proposal that systemic stablecoin arrangements should also be designated under the Payment and Settlement Systems (Finality and Netting) Act 200, as this serves to align the legal position with the practical position (that blockchain transactions are immutable).</p>
		<p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>We would like to clarify if SCS could be purchased by the retail investors, would the MAS consider SCS to be categorised as a capital markets product (for instance, a debenture, given the redeemable nature of SCS, or a new category entirely) that could be purchased by fund managers for their assets under management?</p>
12	GBBC Digital Finance (GDF)	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>We agree that the scope of focus on SCS issued in Singapore is adequate as it gives Singaporean residents locally regulated options for SCS. We believe this meets MAS’ three guiding objectives:</p> <p>(1) Support the development of value-adding payment use cases for stablecoins, and anchor strong stablecoin issuers as utility service providers for the digital asset ecosystem.</p> <p>(2) Adopt a progressive regulatory approach that is fit for purpose and provides for stepping up of measures as needed.</p>



S/N	Respondent	Responses from respondent
		<p>(3) Maintain an open regime to accommodate different forms of stablecoins, including bank-issued ones.</p>
		<p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>We do not think that it is necessary to introduce any other regulated service specific to stablecoins but encourage MAS, standard setting bodies, and other regulators to encourage traditional financial companies like bank's to offer services to regulated non-bank SCS issuers, subject to standard risk assessments and onboarding practices.</p>
		<p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>The regulatory approach of MAS in respect of bank and non-bank SCS issuers is appropriate to protect customers and financial stability, however the degree of value offered by an SCS is highly dependent on the availability of financial services for processing payments to and from customers and for purchasing, selling and custodying highly liquid assets. Strong relationships between SCS issuers and these counterparties is a necessary component to a successful SCS. As well, market makers are a necessary component of a healthy SCS environment. This is because the stabilisation mechanism of SCS relies on the ability for the SCS issuer to process redemptions on a 1-1 basis to its know your customer (KYC) verified users (i.e., primary market participants). As SCS trades on any other platform (e.g., the secondary market) the SCS may be available at slightly more or less than par-value. Primary market participants who can be issued and redeem an SCS at 1-1 are economically incentivized to arbitrage trade the price back to par on secondary markets. E.g., in a market where there is more supply than demand the SCS might trade at a premium and so primary market participants are incentivized to be issued SCS from the issuer and sell it on the secondary market, creating selling pressure which brings secondary market prices back to par. Similarly primary market participants redeem an SCS from an issuer for fiat currency in order to buy SCS on secondary markets, when supply is greater than demand and the SCS trades at a discount. Given the interplay between the SCS issuer, their banks which process payments and custody reserves, and market makers it follows that promoting banks to onboard SCS issuers and market makers is a necessary component of a successful SCS.</p>
		<p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>We believe that a single label for bank and non-bank issued SCS is sufficient as the purpose of the label is to highlight to customers that a given issuer is adequately regulated and a single label serves that purpose. We believe the term 'regulated</p>



S/N	Respondent	Responses from respondent
		<p>stablecoin’ is likely the clearest option for the purpose of achieving the aforementioned purpose. Perhaps ‘locally regulated stablecoin’ might also be applied to distinguish a stablecoin regulated by MAS from stablecoins which are regulated elsewhere using different standards.</p>
		<p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>We believe that the proposed reserve asset requirements are appropriate, however limiting the pegs to the Singaporean dollar and Group of Ten Currencies, seems short sighted as it precludes SCS projects backed by other important currencies like CNH from being regulated.</p>
		<p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>MAS should highlight that redemptions can only be made to holders of SCS who have undergone the appropriate KYC onboarding processes. The time it takes to conduct proper KYC, customer due diligence (CDD), and enhanced due diligence (EDD) measures can differ greatly from simple KYC measures for individuals to time consuming processes for business clients which have complex corporate and beneficial ownership structures which require requests for information and the time it takes to receive responses. Further, since the main business case for stablecoins appears to be engaging in cryptocurrency trading and related services, it’s likely that the vast concentration of SCS liquidity would be concentrated in cryptocurrency exchanges, and the customers of those exchanges may not necessarily also be KYC verified customers of the SCS issuer. A large and unexpected influx of new customer registrations for an SCS issuer could be overwhelming. As well, at times the compliance departments of banks can request information on the counterparties in order to process transfers, or errors could be committed which can cause major delays. Given all these variables MAS should consider that KYC registered holders of a SCS issuer should expect to receive a redemption, subject to correctly functioning banks processes, however non-KYC-verified holders might expect longer delays.</p>
		<p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>We agree with 4.21 (a) and (b), however find that (c) should be modified to limit these restrictions to reserves, i.e., assets which back outstanding SCS should not be used for lending, staking DPTs or trading DPTs. SCS issuers should have more flexibility to invest, or loan their profits (assets owned by the issuer over and above the reserves, base capital and solvency capital) in order to allow for competition and growth.</p>



S/N	Respondent	Responses from respondent
		<p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>We believe all SCS issuers should be subject to the same redemption and disclosure requirements.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>We believe that it is possible that existing stablecoin issuers would be interested in providing their stablecoin to Singaporean residents in order to grow their market. Indeed, given stablecoins are largely used for cryptocurrency trading, stablecoins which are available in many markets outside of Singapore could see high demand within Singapore for the purpose of trading across markets. The approach outlined on 4.24 seems feasible, but MAS must consider that executive and other personnel for a foreign SCS, as well as banks could be located outside of Singapore.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>We agree with the proposal for DPT trading platform operators to publish policies and procedures on the process for selecting and reviewing DPTs and relevant governance policies.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>This seems like a reasonable amount of time.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>We believe that this level of regulation should be reserved for SCS projects that have business models that both intend and have the ability to become competitors for traditional payments rails. SCS projects launched by large social media companies or large retailers are an example of such a project.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p>



S/N	Respondent	Responses from respondent
		MAS should consider that SCS projects can add stability to cryptocurrency markets, make assets available to the unbanked and lower costs for international payments, thereby increasing global financial stability. This should be sufficient reasoning for encouraging banks and other financial service providers as well as consultancies to work collaboratively with SCS issuers.
13	Holland & Marie Pte. Ltd.	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>HM recognises that, under the Payment Services Act stablecoins are generally considered to be Digital Payment Tokens (DPTs), which are primarily regulated for money laundering (ML) terrorism financing (TF), and technology risks. We concur that a new regulatory regime is required to ensure that stablecoins maintain a degree of value stability and associated stabilization mechanisms.</p> <p>HM broadly agrees that the scope of regulation proposed by MAS to maintain value stability and associated stabilization mechanisms is adequate.</p> <p>(a) Is the focus on SCS adequate? HM agrees that the proposed regulatory focus on single-currency pegged stablecoins (SCS) is appropriate given that SCSs: (i) are more prevalent in the market, (ii) have a higher potential use for payment settlement/storage of value, and (iii) have a higher likelihood that they will be incorporated into the mainstream financial system than other stablecoins such as algorithm-based stablecoins.</p> <p>(b) Should MAS extend its regulatory powers to SCS issued outside of Singapore? With regards to stablecoins issued in Singapore, it is our understanding that the MAS is referring to stablecoins that are issued from a Singapore entity for the use of persons in Singapore. We believe that clarification of the meaning of “stablecoins issued in Singapore” is needed to avoid any confusion.</p> <p>Given the borderless nature of stablecoins, we are mindful of the importance in securing international collaboration. HM observes the recent recommendations of the Financial Stability Board (FSB) in promoting regulation, supervision and oversight of “global stablecoin” (GSC) arrangements. We note that the recommendations also stress the value of flexible, efficient, inclusive, and multi-sectoral cross-border cooperation, coordination, and information sharing arrangements among authorities. We expect that Singapore will play a key role in strengthening international cooperation and information sharing in this regard.</p> <p>We believe that the FSB recommendations call upon jurisdictions to implement measures on a national level only. Specifically, the FSB recommend the following:</p> <p>At a national level, establishment or, as necessary, adjustment of regulatory, supervisory and oversight frameworks consistent with the FSB recommendations</p>



S/N	Respondent	Responses from respondent
		<p>We believe that implementing measures with a territorial reach could undermine the work of the FSB.</p> <p>For the reasons stated above, we believe that SCS issued in Singapore (as defined in our answer above) should be the key focus.</p> <p>We note that MAS proposes to introduce measures to help users to distinguish SCS which are issued in Singapore and regulated by MAS, from stablecoins issued in other jurisdictions (para. 5.2). The purpose of such measures should allow users to make informed decisions on the risks of adopting different stablecoins. HM agrees that it is acceptable that consumers should also play their part in assessing and managing some risk.</p>
		<p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>We support the introduction of an additional regulated payment service of stablecoin issuance, and at this point we do not see the need to introduce any other regulated services specific to stablecoins.</p> <p>We also believe that MAS should consider issuing a code on the issuance of SCS. It is intended that such a code would provide the issuer with greater clarity on certain aspects, such as prospectus requirements, factsheets, advertising, assets segregation and custody, valuation, and reporting of errors by issuers.</p>
		<p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>We note that banks in Singapore are exempt from the requirement to obtain a license under the PS Act to conduct the business of providing payment services. Provided that Stable Coin Issuance Service is licensed as an additional activity under the PS Act we agree that the same exemption for banks should continue to apply.</p> <p>The MAS has confirmed (in para. 4.6) that banks will be subject to the same regulatory regime as SCS issuers, except for certain prudential requirements (as set out in paragraphs 4.20 and 4.21). We further note that SCS issued by banks will similarly be recognised as MAS-regulated SCS. We therefore agree that such treatment will serve the regulatory objective of maintaining a high degree of value stability of SCS.</p>
		<p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p>



S/N	Respondent	Responses from respondent
		<p>HM agrees that it is appropriate to have a single label for bank and non-bank issued SCS regulated by MAS. We believe that it would cause unnecessary confusion to the public if separate labels were adopted.</p> <p>We are of the view that “MAS-Regulated Single Currency Stablecoin” is the preferable term that should be given. Specifically, we strongly believe that incorporating the term “Single Currency Stablecoin” will distinguish regulated SCS from other types of stablecoin, which are given a different regulatory treatment.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>HM is of the view that SCS issuers must hold reserve assets (denominated in the same currency as the pegged currency) to back the SCS issued. We also agree with the key requirements set out in para 4.13 (a) and (b).</p> <p>With regards to the issuance of SCS, we do not agree with the proposal that SCS may only be issued pegged to the Singapore dollar or Group of Ten (G10) currencies. Alternatively, we are of the view that provided the currency of issuance meets the key requirements set out in para 4.13 (a) and (b) those requirements should be sufficient to ensure a strong and stable backing for SCS. Should MAS need additional assurance, it could impose a requirement that the reserve assets should be denominated either in Singapore dollars or a G10 currency.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>HM believes the recommended period of redemption to fiat within 5 business days from the date when a legitimate redemption request is received is reasonable (per para. 4.18). However, there are operational considerations to consider when SCS redemption to customers is to be performed by a third-party intermediary (and not the SCS issuer). It may therefore be preferable to allow SCS issuers to contractually agree longer time-periods and/or grace periods with customers in accordance with guidance issued by MAS.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>HM is of the view that the scope of the proposed restriction that “an SCS issuer is not allowed to undertake other activities that introduce additional risks to itself” would benefit from further clarification.</p> <p>We believe that not all stablecoins may be issued from an entity that is operating as a business. Stablecoins may be issued from entities that only undertake such issuance. It may, therefore, be difficult for such issuers to fulfill the proposed requirements.</p>



S/N	Respondent	Responses from respondent
		<p>Regardless of the point mentioned above, we note that the base capital requirements for an SCS issuer are considerably higher than the requirements prescribed for an MPI e-money issuer. Since the financial and prudential risks of an e-money issuer and SCS issuer are similar we propose that the requirements should also be set at a similar level as the requirements for other payment services.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>In our opinion, banks issuing tokenised bank liabilities should similarly be subject to the same redemption and disclosure requirements in accordance with the “same business, same risk, same rule” principle.</p> <p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>To ensure a level-playing field, HM believes that bank-issued SCS backed by reserve assets should be subject to the same rules as other SCS issuers. A single standard would also provide consumers with a simple benchmark of MAS’ approach to all SCS, irrespective of the issuer.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>HM broadly agrees with this proposal. However, we believe that the proposed requirements set out in paragraph 4.24 may be difficult to meet. Given such obstacles, we foresee that SCS issuers may select a more accessible route by acquiring a DPT services licence under the PS Act.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>We believe that a proposed period of no more than three business days to complete the transfer of SCS from one party to another from the days the transfer request is received is a reasonable timeline.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>We broadly support the proposal that entities providing services of transmission or custody of MAS-regulated SCS to hold and segregate customers’ MAS-regulated SCS from other customers’ assets, and its own assets in different custody accounts. However, we are of the opinion that in the absence of other controls, the segregation of assets alone is</p>



S/N	Respondent	Responses from respondent
		<p>insufficient to preclude misappropriation of assets. Accordingly, we believe that additional measures are required to mitigate the risk of misuse of customers’ SCS.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>HM broadly agrees that it is appropriate to designate stablecoins running on a decentralised, public blockchain as DPS.</p> <p>We are, however, of the opinion that although the SCS issuers are the entities managing the issuance/redemption of SCS, it is ultimately the blockchain nodes that are responsible for coordinating the operation of SCS on a decentralised, public blockchain. A single node or coordinator of a public blockchain is not an appropriate target for regulation as DPS. Given that the uptime of a blockchain network is out of the SCS issuer’s control, HM believes it is also not appropriate to hold SCS issuers responsible for service availability of SCS running on a blockchain.</p>
14	HSBC	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>We are pleased to see that MAS sees potential in stablecoins performing the role of a credible and regulated digital medium of exchange. HSBC believes that, together with CBDCs, stablecoins can serve as credible means of payment and help countries meet existing and future challenges of new forms of money. Towards this end, the key is that all forms of money are subject to appropriate regulation to ensure their safety and soundness.</p> <p>As the financial system rapidly evolves towards a more digital environment and new forms of digital money emerge, regulatory regimes ensure the safety and stability of the financial system. For this potential to become a reality, a clear regulatory framework on stablecoins needs to be developed to ensure both consumer protection and market stability. In this context, we share the three key guiding objectives that shape MAS’s regulatory approach to stablecoins and we welcome the intention to develop a regulatory regime that will support the development of credible and reliable stablecoins that facilitate digital transactions.</p> <p>We believe that it is crucial to ensure that new innovative instruments like stablecoins are regulated according to their specific use cases, under the “same activity, same risk, same regulation” principle. To this end, we support stablecoins and we believe that they can usefully coexist with CBDCs, provided that stablecoins are:</p> <ul style="list-style-type: none"> • denominated in national fiat currency; • asset-backed, rather than algorithmic; • fully asset-backed at not less than 100% of value; • regulated to the same standard as commercial bank money. <p>The above should be an underlying principle governing the regulatory framework for</p>



S/N	Respondent	Responses from respondent
		<p>stablecoins.</p> <p>In addition, as a wide range of stablecoins currently exist, varying in terms of their asset pegging and the mechanism that upholds their stability, we share MAS’s intention to focus on those with higher stability and stronger use cases for payment. As a result, we agree that MAS should focus on single-currency pegged stablecoins (SCS) as they have a stronger use case for payment and settlement, compared to other types of stablecoins. Moreover, we take note of MAS’s intention to focus its regulatory powers on SCS issued in Singapore. As mentioned above, HSBC supports the introduction of a robust regulatory framework under the “same activity, same risk, same regulation” principle. In this context, we believe that regulators should cooperate to ensure that no regulatory arbitrage occurs. Limiting the scope of MAS to stablecoins issued only in Singapore would ensure level playing field, investor protection, combined with the development of the digital asset ecosystem which is still at a nascent stage.</p> <p>On the other hand, we would like to ask whether MAS has considered the scenario of SCS issued outside Singapore by an issuer that will have an entity incorporated in Singapore and meet the same regulatory requirements on reserve management, redemption and prudential standards.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>We appreciate the MAS’s efforts to develop a regulatory regime that will provide space for this new type of innovative tool to develop while ensuring appropriate supervision over its risks. Stablecoins are unique in that they can provide multiple functions that are sometimes interdependent. One widely-used existing stablecoin arrangements is where coins act as a bridge to enable the purchase of digital assets from fiat, or vice versa. However, use cases are continually evolving and the range of potential backing assets, and how the value of the stablecoin is determined, varies widely. These points make stablecoin arrangements a unique challenge to manage from a supervisory perspective. Therefore, we would encourage MAS to ensure that the regulatory regime for SCS includes all critical services which cover the issuance and distribution of SCS and are not included in the PS Act. Such services can be:</p> <ul style="list-style-type: none"> a. managing the reserve assets to ensure stabilisation of the SCS value; b. validating transactions and records; c. offering intermediary services that facilitate stablecoin transactions; d. offering ATM services <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>HSBC supports the introduction of a robust regulatory framework for stablecoins under the “same activity, same risk, same regulation” principle. In this context we support a regulatory approach for banks and non-banks that would achieve an equivalent regulatory outcome for SCS issued in Singapore, and would ensure a high degree of value stability of</p>



S/N	Respondent	Responses from respondent
		<p>SCS.</p> <p>We welcome the proposal of MAS to exempt banks which carry out the proposed stablecoin issuance service from the requirement to obtain a license and to meet additional reserve banking and prudential requirements. However, we would like to clarify if the proposed exemption includes all different types of banks, including digital banks which have not yet become fully functional. As these banks have not met the same requirements for paid-up capital and deposit cap with wholesale banks, we propose that they are also subject to licensing, reserve banking and prudential requirements until they become fully functional.</p> <p>In addition, we agree with the proposal for non-banks, according to which if SCS in circulation exceeds or is anticipated to exceed S\$5 million in value, the issuer will have to obtain a major payment institution (MPI) license. HSBC finds the proposed amount reasonable as it is in line with the proposed thresholds for e-money issuance. Under the section 6 (5) of the PS Act, entities that provide e-payment services need to hold a MPI licence if they exceed any of the following thresholds:</p> <ul style="list-style-type: none"> • S\$3 million monthly transactions for any payment service (other than e-money account issuance and money-changing services). • S\$6 million monthly transactions for two or more payment services (other than e-money account issuance and money-changing services). • S\$5 million of daily outstanding e-money <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>HSBC believes that a single label for SCS could enhance the awareness among consumers, add clarity and more transparency, and contribute to the development of the digital asset ecosystem. However, to ensure market integrity and public trust, it is critical that all single-labelled SCS meet the same regulatory requirements. As a result, we support the MAS’s proposal for single-labelled SCS, but only under the condition that non-banks would be also subject the same regulatory requirements for their SCS issuance services. Moreover, we would recommend that MAS adopts the term “regulated stablecoins” as we find that it reflects MAS’s aspiration to develop a digital assets ecosystem by introducing a robust regulatory framework for SCS. In parallel, we believe that it would be beneficial if SCS issuers would be able to add on the single label of SCS, e.g. “regulated stablecoin - Company A”. This could help customers differentiate their SCS offerings, encourage competition and consequently attract more issuers and contribute to the development of the digital asset ecosystem.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>HSBC believes that the price volatility of crypto assets, as well as the recent HKMA research on virtual assets price volatility and systemic risks underscore the need for</p>



S/N	Respondent	Responses from respondent
		<p>reserve asset requirements that will ensure consumer protection. At the same time, we acknowledge that SCS issuers have access to real-time information of the value of reserve assets backing the stablecoins.</p> <p>As a result, we believe that MAS should consider either a real-time reserve asset valuation requirement or introduce a reserve asset requirement with high buffer, i.e., above 100% of the par value of the outstanding SCS in circulation. Hence, we suggest that SCS will have to satisfy one of the two following reserve asset requirements:</p> <ol style="list-style-type: none"> a. Reserve assets must be valued on a mark-to-market basis at real-time and be equivalent to at least 100% of the par value of the outstanding SCS in circulation (including those held by the issuer), at all times. b. Reserve assets must be valued on a mark-to-market basis daily and be higher than the par value of the outstanding SCS in circulation (including those held by the issuer), at all times, to cover their price volatility. We would encourage MAS to conduct further research to determine the optimum buffer. <p>What is more, we would recommend that MAS draws lessons from tested measures such as discount window rules for cash. For example, we suggest that MAS considers the proposals of the Basel Committee on Banking Supervision Second Consultation on the Prudential Treatment of Cryptoasset Exposures (June 2022) for redemption risk tests and basis risk tests. We believe that such measures would further enhance price stability of stablecoins.</p> <p>With regards to the composition of reserve assets, we note the MAS proposal about the composition of reserve assets which should consist of “cash, cash equivalents, or debt securities with no more than three months residual maturity and are issued by (i) the central bank of the pegged currency; or (ii) organisations that are of both a governmental and international character with a credit rating of at least “AA-”.</p> <p>Hence, we want to share that the above assets have varying degrees or value, liquidity and risk. In parallel, recent fiscal events in the UK have manifested that even high-quality liquid assets can suffer periods of illiquidity in market turmoil. Given that cash, cash equivalent and some of those assets are considered as high-quality liquid assets vis-a-vis the calculation of liquidity metrics under both internal and external regulations, banks would need clarifications on the liquidity treatment of the stablecoins that are backed by reserve assets on the balance sheet, as well as their reserve assets.</p> <p>We also agree with the proposal that reserve assets must be denominated in the same currency with the pegged currency, as this would reduce FX risk and prevent the circularity of using other stablecoins as reserve assets.</p> <p>Moreover, we support the MAS’s proposal for an independent attestation on the reserve assets. Yet, we believe that while the proposed monthly attestation is appropriate for banks, which are subject to existing prudential requirements, non-banks should provide independent attestation more frequently, i.e. every 15 days.</p> <p>Last, we agree with the proposed segregation of assets as we believe that ring-fencing reserve assets, operational assets, and assets related to business development will ensure operational resilience and continuity of business for SCS issuers.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p>



S/N	Respondent	Responses from respondent
		<p>HSBC agrees with the MAS’s view about the importance of a regulatory regime that will ensure market integrity and consumer protection. To this end, we believe that the redemption of SCS should be as timely as possible, and the goal should be real-time or at least near real-time redemption. At the same time, we also acknowledge that there are certain limitations in existing IT and broader infrastructure capabilities of companies. In this context, we note that in many instances, regulators ask that redemption is as timely as possible, without prescribing a certain deadline. One exception is the New York State Department of Financial Services which, in the 2022 Virtual Assets Guidelines, stipulates that timely redemption of stablecoins means not more than two full business days (“T+2”).</p> <p>According to the consultation, a SCS issuer should “redeem the par value of the SCS to its holder expediently, and in any case, no later than five business days from the date when a legitimate redemption request is received”. This is in line with the recommendation of the Basel Committee on Banking Supervision Second Consultation on the Prudential Treatment of Cryptoasset Exposures (June 2022), according to which, one condition for a crypto asset to qualify as Group1a (asset-backed crypto assets) is to allow for the full redemption to be completed within five calendar days of the redemption request at all times.</p> <p>Against this backdrop, we agree in principle with the intention of MAS to ensure full and timely redemption at all times. However, with regards to the proposed timeline of five business days, we suggest that MAS sets a goal of real-time or at least near real-time redemption; if this is not immediately possible, then we would agree with an interim goal, alongside with more clarity about the rationale and MAS’s strategy to eventually achieve real-time or near real-time redemption.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>HSBC agrees with MAS’s intention to introduce higher financial and prudential standards on SCS issuers compared to other payment service providers. Using SCS for transaction settlement entails a relatively higher risk, and this should mean higher capital and prudential requirements, in line with the “same activities, same risk, same regulation” principle. This is also in line with the proposed prudential treatment of asset backed stablecoins set out in the first and second consultation of the Basel Committee on Banking Supervision, which proposed capital treatment based on the Basel framework and with an add-on for infrastructure risks.</p> <p>We also acknowledge that the SCS sector is still relatively nascent and therefore, introducing a risk-based capital framework would entail additional compliance costs. On the other hand, we wish to highlight that their growth is remarkably fast, bringing significant opportunities, but also challenges to market integrity and consumer protection which can be mitigated by a robust regulatory framework.</p> <p>The recent developments in the crypto market and the price volatility of crypto assets, underscore the need for a robust regulatory framework, something that MAS has highlighted as well. Hence, given that banks which offer SCS issuance services are subject</p>



S/N	Respondent	Responses from respondent
		<p>to a risk-based capital framework, we believe that non-banks should be subject to the same requirements. Meeting the same risk-based capital requirements would ensure market stability and it will be in line with the MAS’S intention to impose higher financial and prudential standards on SCS issuers compared to other payment service providers, in line with the “same activities, same risk, same regulation” principle.</p> <p>We also agree with the proposed base capital and solvency requirement, but we believe that the necessary amount to achieve recovery or an orderly wind-down should be assessed by an independent third party and not by the SCS issuer. Finally, we agree with the proposed business restrictions.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>HSBC welcomes the interest of MAS in supporting the tokenization of bank liabilities. We support the MAS position that tokenizing high value financial and real economy assets, including deposits could potentially enhance the efficiency, accessibility and affordability of financial services, increase liquidity in financial markets, and enhance economic inclusion. We also note ongoing pilot projects such as Project Guardian which includes the tokenisation of bank liabilities. As in many other projects, HSBC is delighted to contribute to the latest pilot for tokenising wealth management products, in collaboration with other project participants. Hence, we would be particularly interested in gaining more clarity about MAS plans on tokenising bank liabilities.</p> <p>We also agree that a robust regulatory framework that would support the development of credible and reliable stablecoins is needed. At the same time, we would like to highlight that banks in Singapore are already subject to a robust regulatory framework that includes high disclosure requirements.</p> <p>We also believe that tokenised bank liabilities used internally by banks and their customers to clear their transactions or for bond settlement should not be subject to additional regulatory requirements. Banks and their respective clearing systems as well as their deposits are already highly regulated and existing requirements address issues such as disclosure standards and timely redemption at par. As a result, adding redemption and disclosure requirements would only raise compliance costs and deter banks from offering bank deposit tokenisation.</p> <p>Therefore, we suggest that MAS either excludes those tokenised banks liabilities or considers the option of introducing a “limited purpose” version of regulated SCS. This is also in line with Part 2 of the First Schedule of PS Act (“Service that are not payment services”), which provides for “limited purpose e-money” and “limited purpose DPT” to fall outside the regulatory scope. These “limited purpose e-money/DPT” are typically used in closed-loop or limited network environment.</p> <p>However, to ensure market integrity and consumer protection, we are eager for MAS to work alongside participating banks and address any disclosure gaps. Therefore, we agree with the proposed disclosure requirements for bank, provided that they do not overlap with existing requirements.</p> <p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or</p>



S/N	Respondent	Responses from respondent
		<p>mitigated in other manners.</p> <p>HSBC agrees with the proposal for segregation of the reserve assets used to back the SCS in circulation. We also wish to highlight that the proposed segregation of the reserve assets is in line with suggestions and policy guidelines of IMF and FSB as well as the NYS DFS. In particular, the NYS FDS requires that “any assets that form the reserve must be segregated from the issuer’s proprietary assets and held with a US state or federally chartered depository institution with FDIC-insurance and/or, if approved by DFS in advance, other asset custodians”.</p> <p>The need to segregate SCS reserve assets is also highlighted by the 2020 BIS working paper which suggested that “in the absence of regulation, stablecoin issuers can earn a profit by investing in higher-return or illiquid assets, or by lending funds or assets, while paying low or no interest to stablecoin holders. These incentives make asset segregation and collateral considerations key, in addition to market surveillance and disclosure frameworks”.</p> <p>Moreover, the recent HKMA report highlighted the risks to financial stability as a result of volatility spillover from cryptoassets and consequent large-scale redemptions of asset-backed stablecoins and their reserve assets. Against this backdrop, HKMA recommends enhanced liquidity management restrictions for asset-backed stablecoins and standardized disclosure requirements, “strengthening the asset-backed stablecoins’ liquidity management, possibly by imposing restrictions on the composition of reserve assets and requiring well defined redemption rights”.</p> <p>We also agree with the proposed eligibility criteria of the firms where reserve assets will be held, as well as with the proposal that banks in Singapore which issue their own SCS will be allowed to keep the reserve assets under their own custody. We believe that this option allows efficiency in the operations of SCS issuance without compromising consumer protection, given that the reserve assets will be ring-fenced from other assets. However, we note MAS’s intention to permit issuance of SCS pegged to G10 currencies, and this implies reserve assets denominated in those currencies. Therefore, we would ask for further clarifications about whether there is any restriction on the custody location, i.e. whether the reserve assets must be kept exclusively in Singapore, and whether partial or full offshore custody services are allowed provided that the custodian institution operates in Singapore.</p> <p>In addition, we would like to clarify if the above-mentioned provision would apply to all types of banks (i.e. full-licensed, commercial only, etc) or to specific types only, and whether the same criteria and segregation process would apply to non-bank SCS issuers.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>HSBC agrees with the observation that the global nature of stablecoins make it possible that “the same SCS may be issued in multiple jurisdictions by different entities that may have agreed on common issuance principles”. To ensure market integrity and consumer protection, it is critical that regulators ensure a level playing field across different markets, with regulatory frameworks that will not allow room for regulatory arbitrage.</p>



S/N	Respondent	Responses from respondent
		<p>To this end, we agree with the intention of MAS to recognise SCS with multi-jurisdiction issuance as MAS-regulated SCS under the condition that the SCS is subject to sufficient regulatory oversight. With regards to the proposed requirements, we would like to share our thoughts:</p> <p>a. Independent attestation It is suggested that “significant issuer” could mean any issuer which issues at least 5%/10% of the total SCS in circulation. We would like to ask for clarifications about the calculation method, given that the absolute number of SCS in circulation, and consequently the respective percentage will likely change over time. In principle, we agree with this option, and we find that annual attestation can contribute to transparency and timely risk management, especially for banks which are already regulated. However, the proposed timeline might be too long for non-banks which do not face the same disclosure requirements as banks. Therefore, in line with the we would encourage MAS to consider the option of asking the involved non-banks to submit the proposed attestation every six months.</p> <p>b. Regulatory cooperation With regards to the second proposal, we would welcome regulatory cooperation among relevant regulatory bodies of the SCS to exchange information on operations of the SCS.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>In line with our response to Question 2, we propose that MAS identifies and covers any gaps in the SCS related activities which are not regulated by the proposed framework or the PS Act. To this end, we would recommend that MAS covers the following services in the proposed regulatory framework:</p> <p>a. managing the reserve assets to ensure stabilisation of the SCS value; b. validating transactions and records; c. offering intermediary services that facilitate stablecoin transactions; d. offering ATM services</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>HSBC shares the MAS’s opinion that SCS could reduce the time and entailed cost of transactions. However, we find that the proposed transmission timeline of three business days might be too long and could therefore increase settlement risk. Hence, HSBC believes that while the current security settlement cycle in Singapore is T+2, ultimately, SCS should be transferred at real-time. This would be also in line with existing international standards and guidelines such as the proposed BIS and IOSCO principles for settlement which call for transaction “no later than the end of the value date, and preferably intraday or in real time”, However, if this is not feasible due to existing settlement network requirements, we would encourage MAS to introduce an interim transaction deadline that will reflect the</p>



S/N	Respondent	Responses from respondent
		current settlement capabilities. We would also welcome further information that will add clarity on the required settlement process as well as on MAS plans to reduce the transaction timeline.
		<p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>HSBC agrees with the proposed segregation of customers’ SCS, as we believe that ring-fencing of SCS would reduce the risk of misuse or comingling of assets and ensure market integrity and consumer protection. Among others, we would encourage MAS to ensure that customers’ SCS are not used for lending purposes by entities providing services of transmission or custody of MAS-regulated SCS. This is in line with our earlier position (see our response to Question 5) as well as with international best practices, such as the recent IMF guidelines on regulating stablecoins .</p> <p>At the same time, we would like to ask for more information about the intended extent of segregation as well as the details of control and reporting. We would also like to understand if the proposed segregation would be similar to the segregation process delineated in the MAS consultation on the DPT regulatory measures.</p>
		<p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>We share the MAS’s concern about the impact of systemic stablecoins to financial stability risk. The volatility of crypto assets during 2022 and the recent FTX meltdown points towards this direction. These observations have been further validated by the recent HKMA report which highlighted risks to financial stability resulting from volatility spillover from cryptoassets and consequent large-scale redemptions of asset-backed stablecoins and their reserve assets.</p> <p>Against this backdrop, we agree with MAS’s definition of a systemic stablecoin as well as with the observation that, as of now, no stablecoin arrangement in Singapore appears to meet the eligibility criteria. Moreover, we agree with the proposal to include systemic designation under the PS Act and FNA as this would contribute to market stability and consumer protection.</p> <p>This is also in line with our response to Question 7 on prudential requirement and with the “same activities, same risks, same regulation” principle, as we believe that key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p>
		<p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>HSBC wishes to add that if stablecoins are expected to be used for payments and</p>



S/N	Respondent	Responses from respondent
		<p>settlements among banks, the fungibility of the stablecoins and underlying currency for banks and its clients in managing their cash balances in the Nostro accounts with correspondent banks and central bank should be considered. For example, we would encourage MAS to explore and share more details about whether stablecoins received can be used to cover any intraday and EOD overdraft in the Nostro accounts with the correspondent banks and central bank. If this would not be possible, we would like to clarify whether MAS would consider to offer any liquidity facilities for intraday and EOD Nostro cash management against stablecoins.</p>
15	Kudelski Security	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>To avoid SCS issued outside of Singapore to be used to purchase and/or exchange to services provided by Singapore, services shall be regulated to avoid service value manipulation as issuance of such SCS cannot be fully controlled.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>Refer to answer to Question #1</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>It can be seen that big operators can offer tokenized services/utilites as a potential extension of Purpose-Bound-Money scheme introduced in Project Orchid; i.e “purpose-Bound-Utility”</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>It is likely that service providers would like to offer programmable utility tokens for service. Due to the early stages of tokenization of asset/services, issuing of asset or services (such as mobile data/airtime as a stable coin) as a collateral is not yet mature, but is expected to happen.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>Service operators like StarHub/Singtel should implement restrictions to</p>



S/N	Respondent	Responses from respondent
		<p>purchase/exchange for SCS issued in multiple jurisdictions. Restrictions could be defined by intra-location, identity and usage within the jurisdiction.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>Rather than using different wallets / wallet custodians, programmability of SCSs combined with linkage to digital identity may provide better approach to protect misuse of customers SCS</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>Yes, to protect key Singapore entities participating and issuing asset or service “collateral” linked stablecoins</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>It will be essential to require professional contract, wallet and token monitoring services to automate the auditing and activity control.</p>
16	Okcoin Pte. Ltd.	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>Given MAS seeks stablecoins that perform the role of a credible medium of exchange, with a high degree of assurance of value stability, we agree that MAS should focus on SCS. This is in light of us acknowledging MAS’ statement that algorithmically-pegged unbacked or backed by other cryptocurrencies could possess a more volatile nature. We agree that the latter should continue to be treated as DPTs.</p> <p>We strongly submit that MAS should not extend its regulatory powers to SCS issued outside of Singapore (and that there are no good justifications to doing so). Extra-territorial jurisdiction powers should be granted only very sparingly and we submit respectfully that there is no compelling reason for any extension of powers to outside of Singapore. Further, MAS should be primarily concerned with domestic conditions. In this regard, the SCS issued in Singapore should be MAS’ focus, without MAS placing its focus on SCS issued outside of Singapore.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any</p>



S/N	Respondent	Responses from respondent
		<p>other regulated services specific to stablecoins.</p> <p>We appreciate MAS' policy reasons for wanting to introduce the additional regulated payment service of stablecoin issuance as set out in paragraph 3.3 and 3.6 of the consultation paper. To this end, the regulated activity of issuance of stablecoins is more than sufficient to encompass the focus MAS should take. This is because the activity would already encompass the function of the control of the total supply of stablecoins through the minting and burning of the same.</p> <p>We are of the view that MAS' approach is sensible and that there is no need to introduce any other regulated services specific to stablecoins.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>We have no comments on this.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>We respectfully submit that a single label for both bank and non-bank SCS issuers is appropriate so as to prevent confusion among customers over any duplicity of terms. We favour the term 'regulated stablecoin' as 'regulated' would reflect this stablecoin is regulated where others without the term are not.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore's digital asset ecosystem.</p> <p>We submit that the proposed reserve asset requirements are appropriate. We submit that there are no foreseeable unintended consequences that may impede Singapore's development of its digital asset ecosystem.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>We submit that the time period is appropriate. We submit that there are no foreseeable unintended consequences.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p>



S/N	Respondent	Responses from respondent
		<p>We submit that the proposed base capital requirement of S\$1 million is excessive and inordinate. By way of comparison, the base capital is only S\$250,000 for an applicant who applies for a major payment institution licence under the Payment Services Act 2019. As such, following this, the base capital should be S\$250,000 for SCS issuers as well.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>We are of the view that for parity, banks should similarly be subjected to the same redemption and disclosure requirements.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>We are of the view that there are no such specific activities.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers' SCS.</p> <p>We support the proposed measure of segregating customers' MAS-regulated SCS from other customers' assets as well as an SCS issuer's own assets in different custody accounts.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>We support the designation of systemic stablecoin arrangements under the PS Act and FNA. Designated stablecoin arrangements should be exempted from the relevant laws that might threaten the finality of transactions made through the system (such as insolvency) and the FNA would allow for this.</p>
17	Pragma Pte Ltd	<p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore's digital asset ecosystem.</p> <p>We are of the view that the proposed reserve asset requirements are appropriate.</p> <p>Question 15. MAS seeks any other comments relating to MAS' regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p>



S/N	Respondent	Responses from respondent
		<p>We are of the view that developing an innovative and responsible digital asset ecosystem in Singapore requires, inter alia, application of extant Fit and Proper Criteria, and Technology Risk Management guidelines to issuers of SCS. In addition, and consistent with the comments we provided contemporaneously with respect to the DPTSP consultation, we are of the view that limiting investment in SCS to accredited and institutional investors is an advisable risk mitigant.</p>
18	Rainer Lo	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>The largest stablecoin issuers of today are those pegged to a single currency, in particular, the US Dollar (i.e. USDT, USDC, BUSD and USDP). Due to the perception that single-currency pegged stablecoins represent a means of payment and/or store of value, they are increasingly prevalent in the market today and potentially could be developed into a mode of payment and incorporated into the mainstream financial system. Despite the rapidly increasing adoption of currency pegged stablecoins today, there is yet to be any consensus on the standards that should apply. This includes, but is not limited to, redemption arrangements, collateral and pegging requirements and KYC processes, which are all critical information that needs to be made available for both regulators and users. Therefore, we agree that it is sensible for MAS to adopt a risk-based approach by first focusing on payment-related stablecoins that potentially pose higher risks to the monetary and financial systems, while retaining flexibility to widen the scope of stablecoins that may be subject to regulation as needed in the future.</p> <p>We agree that single-currency pegged stablecoins (SCS) issued in Singapore should be a priority for MAS as this is the perimeter within which MAS have direct regulatory authority. However, given the cross-border nature of blockchain transactions, MAS should ensure that any domestic regulation in protecting Singaporeans are guided by cross-sectorial global standards at the same time.</p> <p>The Financial Stability Board (FSB) is currently consulting on recommendations for the oversight of Global Stablecoins (GCSs) and other crypto assets. A key focus of their report is cross-border cooperation, and they urge regulators to review their regulatory cooperation arrangements. Cooperating with other regulators could enable MAS to be a part of the global comprehensive oversight of SCS. In our view, coordinating approaches to SCS regulation and sharing information across borders is perhaps one of the most effective measures to account for the global nature of stablecoin arrangements today.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>We agree that introducing an additional regulated payment service of stablecoin issuance</p>



S/N	Respondent	Responses from respondent
		<p>is in the right direction since the broader Payment Services Act (PS Act) was designed primarily for addressing concerns relating to money laundering, terrorism financing and technology risks. Further measures are required to ensure that stablecoins maintain value stability, particularly in light of recent market developments such as the collapse of the Terra stablecoin. This approach is also in line with proposed regulation in the UK and EU, where stablecoin issuers are expected to be subject to payment services regulations with additional regulations applied to account for the issues unique to stablecoin related activities.</p> <p>Although the focus of this paper is on SCS related activities, we are hopeful that MAS will eventually look into expanding regulatory scope to stablecoins backed by commodities, multiple currencies or other crypto-assets and even algorithmic-based stablecoins. The current treatment of regulating these as Digital Payment Tokens (DPTs) under the PS Act may not adequately account for the unique set of risks that come along with these innovative products.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>We support MAS providing a less onerous regulatory approach for SCS issuers with a circulation of less than S\$5 million. By doing so, these stablecoins may be treated as DPT and therefore exempt from stablecoin requirements, which would lower the barrier to entry for smaller players and foster innovation. We do, however, caution that these small issuers should prepare for compliance with regulations ahead of crossing the S\$5M threshold. As we have seen in recent years, the circulation of any given stablecoin can drastically increase in a short period of time. Appropriate safeguards cannot be built overnight. Therefore, we suggest that smaller SCS issuers be subject to minimum reserve requirements and that MAS promote appropriate corporate controls and management practices within SCS issuers so that compliance measures can be more easily adopted.</p> <p>We also advocate for a sunset provision on the small issuer exemption as the stablecoin ecosystem matures. Alternatively, MAS could consider subjecting all SCS issuers to the same regulatory requirements but grant exemptions to certain sub requirements for the smaller / non-bank SCS issuers.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>We agree that a new label for MAS-approved stablecoins is appropriate as it can help retail investors and consumers differentiate between MAS regulated and unregulated products. This is important especially given the varying regulatory standards applied globally. That being said, we suggest for MAS to be cautious with any new labelling to avoid introducing further confusion to the industry.</p>



S/N	Respondent	Responses from respondent
		<p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>We agree with reserve asset requirements set out in paragraph 4.13. For avoidance of doubt, and given the impending arrival of CBDCs, MAS may consider the addition of CBDCs issued by the G10 jurisdictions as cash and cash equivalents as well.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>The proposed time period for SCS to fiat is no later than five business days from the date when a legitimate redemption request is received. Although we agree with the viewpoint that a longer duration may help prevent the risk of a “bank run” during times of stress, a five-day duration is even longer than traditional systems. Such a long redemption period may have the unintended consequences of discouraging user adoption and exposing SCS holders to greater risks by preventing redemption for up to five business days, which is long enough for it to fall from its pegged value as seen in the case of TerraUSD which lost its Dollar peg within a couple of days.</p> <p>The approach taken by MAS in PSN07 of PS Act is that money-changing service providers are required to ensure a payee receives the money on the same day of money-changing service. Although SCS redemption and money-changing services are two different topics, the guiding principles should remain the same in ensuring end-customers receive the money that they request to redeem within a reasonable timeframe.</p> <p>We wish to also highlight the differences in how a bank SCS issuer versus non-bank SCS issuer manage their cash reserves, something which MAS should take into consideration when imposing redemption timeline for the two profiles of SCS issuers. A bank SCS issuer (i.e. HSBC) is likely to hold the reserves themselves, because it is in their ordinary course of business to do so. Any redemption of SCS from bank issuers is much swifter since they hold the cash deposits themselves. On the other hand, a non-bank SCS issuer (i.e. Circle) usually deposit their reserves at a regulated financial institution such as BNY Mellon. They inevitably take longer to fulfil large redemption requests as they must first draw down from BNY. MAS could consider a varied redemption timeline for bank and non-bank SCS issuers where the latter could be given more headroom in the fiat redemption timeline as they are ultimately reliant on their custodian banks where most of their reserves are stored.</p> <p>Alternatively, MAS could retain the proposed hard cap of five business days and instead recommend for SCS issuers to provide speedier fiat redemption as best practices This will have an effect of soft regulation as SCS issuers compete on redemption speed as value proposition.</p>



S/N	Respondent	Responses from respondent
		<p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>We believe that effective standards and regulations should follow technology-neutral principles as supported by Pablo Hernández de Cos, Chair of the Basel Committee on Banking Supervision, in the “same risk, same activity, same treatment” principle. Given that bank liabilities issuance is already a regulated activity subject to the existing Banking Act, imposing further regulatory requirements to account for the tokenization of liabilities seems like a blunt instrument. This may serve to stifle innovation while having little or no positive impact on reducing risk. There may be little incentive for banks to tokenize bank liabilities if they must be subjected to double sets of regulatory requirements – one under the existing Banking Act, the other under SCS regulations. Instead, this might be an opportunity to assess whether it is sensible to expand the scope of Banking Act to encompass tokenized bank liabilities.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>We believe that the scenario outlined in paragraph 4.22 where the same SCS can be issued in multiple jurisdictions by different entities that may have agreed on common issuance principles, or by other related companies of the same SCS issuer in Singapore, is an unlikely development for several reasons, such as operational challenges in reserve management where multiple entities must coordinate how they account for fiat redemption and deposits in order to maintain the value stability of the SCS which is fungible across jurisdictions.</p> <p>While we agree that the regulatory approach in paragraph 4.24a is a good start, we ask that MAS consider specifying the standard of external auditors acceptable by MAS. To illustrate this, FTX International claimed that it has undergone a financial audit for 2021 by the audit firm Prager Metis whose website indicates that they are the ‘first-ever CPA firm to officially open its Metaverse headquarters in the metaverse platform Decentraland.’</p> <p>In addition, we want to point out that there is currently no common standard on how a stablecoin reserves audit should be conducted as the largest stablecoin issuers (Tether, Circle and Paxos) all have varying standards of data granularity in their reserve audit reports. MAS should be clear in the scope of audit and level of disclosure if this regulatory approach is adopted.</p> <p>We also encourage MAS to pursue regulatory cooperation where possible, following the guidelines offered by the FSB in establishing effective cross-border arrangements. However, we acknowledge that regulatory cooperation can be difficult to create, and MAS may not have regulatory cooperation arrangements in every overseas market in which an SCS issuer chooses to operate. In fact, an SCS may intentionally choose to operate in such a jurisdiction as a form of regulatory arbitrage. With this in mind, MAS may consider a</p>



S/N	Respondent	Responses from respondent
		<p>whitelist approach, whereby SCS issuers based in jurisdictions with robust regulatory and enforcement frameworks (to be defined by MAS) are allowed to offer stablecoins in Singapore without further approval or subject to lighter regulatory touch.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>On first read, we view that a three business days timeline for SCS transmission seems excessive given that there is no fiat redemption involved and that blockchain transactions are usually confirmed within an hour, with some such as those on R3’s Corda platform being nearly instantaneous.</p> <p>However, we do understand that some stablecoins may operate on permissionless blockchains that depend on proof-of-work or proof-of-stake consensus mechanisms, which may result in probabilistic finality of transactions (which have the risk of unwinding due to a fork in the chain). In such cases, existing industry norms have been to wait “at least 6 blocks” before deeming a transaction settled. Consequently, there is a reliance on the underlying blockchain infrastructure of choice for settlement, which is something that would likely be outside of SCS service providers’ control, especially in periods of stress, network congestion, or even network outages. In view of that, MAS may consider drafting regulations or guidelines for SCS issuers or service providers in cases of network failure or outages, as during such events, pending transactions may be lost or unwound, creating uncertainty over transaction finality. More industry consultation may be required to understand the potential impact and issues around such a situation, and the necessary safeguards required to protect consumers and users against such issues.</p> <p>The consultation paper further states that the three business days timeline is in line with the money transmission requirement under MAS Notice PSN07 on Conduct, for domestic money transfer service today. We feel that the comparison to the MAS Notice PSN07 may not be appropriate as it was designed for e-money transacted through traditional payment rails, whereas SCS is a token transacted on the blockchain, of which one of the key benefits is instant transfer of value. We are of the view that a SCS transmission should be shorter than three days and believe input from market participants is of utmost importance in choosing an appropriate timeframe.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>We strongly agree with the proposal for entities providing services of transmission or custody of MAS-regulated SCS to hold and segregate customers’ MAS-regulated SCS from other customers’ assets (e.g. DPTs) as well as its own assets in different custody accounts. Unlike traditional banking where there is Singapore Deposit Insurance Corporation (SDIC) to protect depositor funds up to a certain amount, there is no such protection available for stablecoins and digital assets. The importance of fund segregation cannot be emphasized enough after the collapse of FTX where billions of dollars of customers’ funds were being comingled and misappropriated.</p>



S/N	Respondent	Responses from respondent
		<p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>We encourage the study of the consultative report on the “Application of the Principles for Financial Market Infrastructures” issued by Bank for International Settlements (BIS) and the International Organization of Securities Commissions (IOSCO), which sets out considerations for determining the systemic importance of a stablecoin arrangement (SA). There are four overarching considerations that are identified – (i) size of the SA; (ii) nature and risk profile of the SA’s activity; (iii) Interconnectedness and interdependencies of the SA; and (iv) substitutability of the SA.</p> <p>We agree with the proposal that key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards. This is in line with the current approach where MAS have varying tiers of regulatory licensing for payment institutions that process different volumes of transactions (i.e. major payment institution license vs standard payment institution license).</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>In our response to question 12, we raised the vulnerabilities of stablecoin issuers operating on permissionless blockchains, such as network outages. We would also like to highlight the inability of such permissionless blockchains to screen participants such as nodes and validators in enforcing AML compliance. This is in contrast to a permissioned blockchain such as R3’s Corda where these issues can be addressed, enhancing supervision and consumer protection.</p> <p>As more and more central banks around the world are actively looking into Central Bank Digital Currency (“CBDC”), it is not a matter of “if” but “when” major jurisdictions issue CBDC. We encourage MAS to anticipate and prepare for the implementation of CBDCs and lay the foundation to facilitate seamless interaction or even synergy between CBDCs and stablecoins, in respect of both operations and regulations.</p> <p>Lastly, we encourage MAS to consider the risks to monetary sovereignty that may arise if non-SGD denominated stablecoins begin to circulate widely in Singapore.</p>
19	Ripple Labs Inc.	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>Ripple is supportive of MAS’ intent to focus the regulatory regime initially on single-</p>



S/N	Respondent	Responses from respondent
		<p>currency pegged stablecoins (“SCS”) issued in Singapore. However, there is a possibility that as the market for SCS develops, SCS issued outside Singapore may become systemically important. Therefore, in line with the principle of ‘same risk, same activity, same treatment’ outlined in section IV of this response (General comments and policy considerations), we respectfully suggest that MAS adapt regulations where necessary to address any regulatory obstacles or challenges specific to stablecoin arrangements (including those issued outside of Singapore) whilst ensuring financial stability and the appropriate regulatory outcomes to support innovation are achieved.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>Ripple is supportive of MAS’ proposal to introduce a new regulated activity of ‘Stablecoin Issuance Service’ under the PS Act, and for all regulatory obligations to apply to such a regulated entity which is based in Singapore and performs the function of controlling the total supply of and minting and burning of SCS.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>Ripple is supportive of the MAS’ proposal to introduce a single label for SCS issued by banks and non-bank entities which are regulated for an SCS issuance service under the PS Act, and for intermediaries to also use the same term in their disclosures where they offer such SCS to differentiate them from other stablecoins offered. This is because the utility of the SCS is the same, regardless of whether it is issued by a bank or non-bank entity. Ripple suggests the single label used should be “regulated stablecoin” to label such SCS, to give retail users the confidence that the SCS is regulated by MAS.</p> <p>However, we request clarification whether all unregulated stablecoins (including SCS issued outside of Singapore) should be labelled as DPTs accordingly, or if there is a separate label MAS is proposing for unregulated stablecoins.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>Ripple believes that the scenario outlined in paragraph 4.22 of the Consultation could be a possibility as the global market for SCS develops. Given the global nature of SCS activities and that global regulatory approaches are still taking shape, we urge MAS to follow option b. outlined in paragraph 4.24, namely to establish regulatory cooperation among relevant regulatory bodies of the SCS to exchange information on operations of the SCS.</p> <p>Additionally, we also encourage MAS to engage with global standard-setting bodies such</p>



S/N	Respondent	Responses from respondent
		<p>as the Financial Stability Board (“FSB”) in order to develop a globally consistent approach to regulating SCS, to avoid potential fragmentation and regulatory arbitrage.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>Ripple believes that all relevant activities related to SCS are appropriately captured as a regulated DPT service.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>Ripple agrees with the MAS’ analysis that, at present, SCS are not widely used in the Singapore economy and hence present no systemic payment risks, and therefore no stablecoin arrangement in Singapore is likely to qualify as systemic.</p> <p>At the same time, we appreciate that a global SCS could potentially have a significantly large user base, and widespread adoption of such a global SCS in Singapore could fulfil the definition of systemic.</p> <p>However, it is important to note that what is ‘systemic’ is subjective, and no definition of what would be considered to be systemic is provided in the Consultation. Therefore, we respectfully request that MAS develop clear considerations for determining systemic stablecoin arrangements, aligned with the considerations identified by the Committee on Payments and Market Infrastructures and Board of the International Organization of Securities Commissions (collectively “CPMI-IOSCO”), prior to designating a systemic stablecoin arrangement as a designated payment system (“DPS”).</p> <p>In keeping with the principle of ‘same risk, same activity, same treatment’ outlined in section IV of this response (General comments and policy considerations), Ripple believes a systemically important stablecoin arrangement could appropriately be assessed to be a DPS, subject to certain criteria being met (for example, when potential disruption could lead to financial stability risks), and could therefore be subject to higher regulatory and supervisory standards to safeguard financial stability risk. However, we respectfully request that MAS clearly define the metrics and criteria by which a stablecoin arrangement will be measured against when determining if it is systemic.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p>



S/N	Respondent	Responses from respondent
		Ripple appreciates the opportunity to provide feedback on the Consultation as the MAS studies these important issues, and we would encourage and support further dialogue with all stakeholders before the MAS' regulatory regime is introduced.
20	SBI Digital Markets Pte Ltd	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>SBIDM believes the scope of the Authority's proposal as adequate.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>SBIDM believes the Authority's approach is sufficient.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>SBIDM agrees with the Authority's approach in differentiating MPL and SPL based on the size of the SCS issued by non-bank issuers.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>SBIDM believe that distinguishing between banks and non-banks for the purposes of disclosure is too narrow. Other regulated financial services companies, subject to regulations akin to those applied to banks, should also be taken into consideration by the Authority. SBIDM believes that "regulated stablecoin" and "securely-backed stablecoin" labels can be applied.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore's digital asset ecosystem.</p> <p>SBIDM believes the Authority's proposal on reserve asset requirements is appropriate.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>SBIDM believes the time period proposed by the Authority is consistent with redemption requirements placed on financial services providers for other financial asset classes.</p>



S/N	Respondent	Responses from respondent
		<p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>SBIDM believes that the Authority's proposal to impose a simplified capital regime with necessary restrictions is appropriate.</p>
		<p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>SBIDM believes that redemption and disclosure should be consistent between banks and non-banks to the extent possible.</p>
		<p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>SBIDM believes that the SCS market would be best served if both banks and non-banks' disclosure requirements were consistent. "Subjectivity" should be eliminated when assessing whether risk mitigation is sufficient to make certain disclosures un/necessary.</p>
		<p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>While SBIDM believes that the scenario outlined in paragraph 4.22 is a likely development, we do not see the proposal outlined in paragraph 4.24(a) as being practical in addressing the multi-jurisdictional risk noted. There would be significant complexity and cost arising from a requirement to get independent attestation on an annual basis of significant issuers, etc. Self attestation should suffice.</p>
		<p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>SBIDM believes the Authority's approach is sufficient.</p>
		<p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>SBIDM believes the time period proposed by the Authority is reasonable.</p>
		<p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers' SCS.</p>



S/N	Respondent	Responses from respondent
		<p>SBIDM believes requirements to segregate client assets should be the same as those applied to traditional capital markets.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>SBIDM believes that regulation of the systemic stablecoin arrangements will make for a more orderly market.</p>
21	Sygnum Pte Ltd	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>The Participants agree that holistically it is sensible to distinguish SCS regulation from non-SCS regulation, particularly as SCS may be more tied to payments use cases. In particular, the Participants note that tokens that are algorithmically-pegged, unbacked or backed by other cryptocurrencies, would be more susceptible to volatility and note that MAS would continue to treat such tokens as DPTs.</p> <p>For consistency, in addition to the existing PS Act obligations on DPTs, the Participants suggest extending any additional (new) stability requirements, to be applied to the new SCS category, to stablecoins that would continue to be construed as DPTs as well.</p> <p>Separately, the Participants seek to clarify if “MAS regulated SCS” pegged to SGD would be insured under the Singapore Deposit Insurance Scheme.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>The Participants agree that, in line with the regulatory framework illustrated in Section 4 of the consultation paper, banks that issue “stablecoins” as banks liability in a manner consistent with other banking activities subject to the Banking Act, such as to represent deposit liabilities, should not be subject to additional licensing or additional separate regulation.</p> <p>The Participants note that taking a consistent approach to regulating banks in this manner appropriately reflects that banks already are highly regulated and existing frameworks are appropriate to address banking activities carried out in this new electronic form. A separate regulatory regime from the Banking Act could cause regulatory confusion for banks, increase costs associated with implementing compliance programs and thereby cause a barrier to entry to banks looking to enter this space, which would be</p>



S/N	Respondent	Responses from respondent
		<p>disadvantageous to the general market as banks would be highly regulated, trusted actors bringing stability to this space.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>The Participants express concern that applying a single label for bank and non-bank issued SCS may cause public confusion; namely, that SCS issued by non-banks are the same as those issued banks. Accordingly, the Participants suggest that the approach should ensure clarity vis-à-vis the public, in making a distinction between SCS issued by non-banks versus banks.</p> <p>Separately, the Participants do not support applying the same label to tokenised bank liabilities and bank-issued SCS. Tokenised bank liabilities are structured differently from bank-issued SCS, and users need to be able to distinguish between reserve-backed SCS versus tokenised bank liabilities.</p> <p>The Participants are also of the view that the use of a stablecoin label is not appropriate for tokenised bank liabilities, as this would create confusion as to how the different assets are backed and regulated.</p> <p>Additionally, as banks will not be required to procure additional licensing for tokenised bank liabilities, the Participants note that it is unclear how such banks will be required to apply the label. If a label is required for bank liabilities, such label should be distinct and reflect the nature of the bank liability – e.g., “Qualified Deposit Token”.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>The Participants welcome MAS’ proposal that bank issued SCS backed by reserve assets would not be subject to additional / specific reserve requirements.</p> <p>The Participants also observe that SCS pegged to and backed by reserve assets in the form of a single currency would mirror money market (“MM”) mutual funds. On this basis, existing measures applicable to MM mutual funds should be considered.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>With reference to paragraph 4.17 of the consultation paper, the Participants suggest that redemption be conducted on a daily basis, to align with the practice of open-ended mutual funds. This can assist in orderly redemptions. The Participants also note that</p>



S/N	Respondent	Responses from respondent
		<p>reserve assets are valued daily, and under conditions of market stress, imposing a similar requirement in relation to SCS would be particularly helpful.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>The Participants note that the prudential requirements as stated in the paper would not be applicable to bank-issued SCS.</p> <p>With reference to paragraph 4.21 of the consultation paper, the Participants suggest that the base capital requirement be set as a percentage (e.g. 10%) of the total value of the SCS in circulation. The Participants observe that the current proposal may favour large SCS issuers in that operating expenses tend to exhibit economies of scale, and expressed the view that operating expenses would not serve as sufficient equity cushion when the value of the reserve assets become volatile.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>In respect of the redemption requirement as it applies to tokenised bank liabilities, the Participants express the view that requirements on timely redemption should not be more onerous than current requirements imposed on bank deposit withdrawals, and note that these products would need to be integrated with existing operational processes.</p> <p>With respect to disclosure – the Participants express the view that separate disclosures should not be imposed on banks issuing SCS as tokenised bank liabilities. While the Participants accept that banks should be required to continue to provide any disclosures associated with the underlying liability, if any, it is observed that the contemplated additional disclosures do not seem to be applicable in the context of a deposit liability, for example. The Participants note that a bank would likely continue to address issues of rights and obligations, etc. of the holder of a tokenised bank liability through their customer terms.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>The Participants believe that the scenario outlined in paragraph 4.22 would be possible: entities may particularly select different locations of issuance, either to address issuance in multiple currencies or operational needs for global issuance, or to meet regulatory requirements for issuance in other jurisdictions.</p> <p>The Participants suggest that one possible approach may be to establish clear standards for when off-shore issuers would be deemed to be sufficiently interacting with Singapore markets to require submission of attestations.</p>



S/N	Respondent	Responses from respondent
		<p>The Participants do not believe these additional requirements should be applied to tokenised bank liabilities, and instead, existing cross-border banking practices should be applied.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>The Participants wish to clarify whether a bank could be construed as operating an SCS intermediation service where it facilitates the transfer of SCS.</p> <p>The Participants are of the view that this should not be the case for tokenised bank liabilities, where payments with such SCS could become part of normal banking services in the future.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>The Participants seek to confirm that this requirement is only applicable to DPT service providers and not exempt entity (i.e. banks) which offer the service of arranging for the transmission of MAS-regulated SCS.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>The Participants expressed the view that the proposed requirements for segregation of MAS-regulated SCS (from other customers’ assets as well as the issuers’/intermediaries’ own assets), may be appropriate to reduce the risk of misuse of customers’ SCS. This is particularly if the service being provided is specifically custody or transmission of such SCS. However, the Participants note that the Guidelines would need to be clear that these specific segregation requirements would not apply in respect of other services (e.g. deposit-taking services).</p> <p>In addition to the above, the Participants also suggest that such MAS-regulated SCS be safeguarded by qualified/licensed custodians, or that clients should retain some private keys (or shards thereof) to ensure independent control over their SCS.</p> <p>Further, the Participants suggest implementing requirements relating to the conduct of assurance audits, as well as requirements to ensure that auditors have real-time access to the status of these assets where possible.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic</p>



S/N	Respondent	Responses from respondent
		<p>stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>With respect to tokenised bank liabilities, the Participants express the view that these liabilities will already be well regulated under the Banking Act, as banking regulation contemplates systemically important operations.</p> <p>Therefore, introducing the potential to be regulated as a DPS may cause significant regulatory confusion for banks and compromise the clarity provided by applying the Banking Act to such liabilities.</p> <p>The Participants seek clarity on how DPS regulations would be applied to SCS arrangements that function on open infrastructures or public blockchain. The Participants suggested that it may provide further clarity if MAS were to reserve supervision rights/information gathering rights specific to SCS, subject to PS Act regulation.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>The Participants are supportive of the distinction between tokenised bank liabilities and other stablecoins in the MAS approach. The Participants note that these are different products in nature and encourage MAS to continue to pursue regulatory consistency between activities involving tokenised liabilities with existing bank regulation where possible, to prevent undue regulatory confusion and barriers to entry for banks.</p> <p>The Participants are of the view that if tokenised bank liabilities are treated as “deposits” under the Banking Act, the usual practice on interest income and accrual will apply. Relatedly, the Participants would also like to clarify whether MAS-regulated SCS backed by reserve assets would be allowed to transmit interest income to their holders on a customized frequency, where the interest income will be based on the nature of the underlying assets and returns.</p>
22	UOB Limited	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>The Bank is of the view that the focus on SCS is adequate. However, MAS can consider extending its regulatory powers to SCS issued outside of Singapore that Singapore investors have access to. This also enables Singapore to be part of the worldwide Digital Assets Ecosystem.</p> <p>However, If MAS is unable to extend its supervision to SCS issued outside of Singapore, the Bank suggest for MAS to restrict Singapore investors to only invest in SCS issued in Singapore.</p>



S/N	Respondent	Responses from respondent
		SCS issued in Singapore will be more credible if the proposed measures are in place. However, Singapore issuers will incur higher compliance-related costs as compared to issuers outside Singapore for the same product.
		<p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>The Bank agrees that it is sufficient to introduce the Stablecoin issuance service. Non-SCS will be subject to the DPT regime under the Payment Services Act.</p>
		<p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>We agree with MAS' approach on the treatment of bank and non-bank SCS issuers.</p>
		<p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>We prefer the term "regulated stablecoin". However, there is a need to further distinguish these "regulated stablecoin" to correspond with the regulations behind them. i.e., To further distinguish whether it is bank or non-bank.</p> <ul style="list-style-type: none"> - Regulated bank stablecoin - Regulated non-bank stablecoin <p>A single label may give investors the impression that bank and non-bank issuers are subject to the same regulatory requirements, which is not the case. SCS issued by a bank generally should have higher credibility.</p>
		<p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore's digital asset ecosystem.</p> <p>The Bank is agreeable with MAS' requirements 4.13(a), (b) and (c). In addition, the reserve assets should be held with a licensed bank / finance company with a minimum credit rating of A-.</p> <p>For 4.15 external audit firm used must be reputable audit firms.</p> <p>For 4.16, clarification needed - the segregated reserve assets can be held by the same bank i.e. they do not have to be held with another bank.</p>
		<p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p>



S/N	Respondent	Responses from respondent
		<p>The proposed time period to convert from SCS to fiat is 5 business days. The Bank is of the view that this seems excessive given the extensive prudential requirements proposed in the paper. We propose to change the time period to 3 business days.</p>
		<p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>The Bank suggests for the minimum base capital to be much higher at \$5m or \$10m.</p>
		<p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>The Bank is of the view that banks issuing tokenised bank liabilities should not be subjected to the requirements, as banks are already subjected to extensive prudential requirements.</p>
		<p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>We have no further comments to the proposal.</p>
		<p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>In order to protect investors regarding SCS in multiple jurisdictions, the Bank is of the view that both 4.24 (a) and (b) have to be applicable. We suggest for (a) to be a must-have; (b) to be a good-to-have.</p> <p>The treatment of multiple jurisdictions appears to be not very clear. How the following scenarios (not exhaustive) are addressed should be clarified:</p> <ul style="list-style-type: none"> • SGD-pegged SCS by a Singapore bank issued for Singaporean investors • SGD-pegged SCS by a Singapore bank issued for non-Singaporean investors residing outside Singapore • SGD-pegged SCS by a foreign bank for all investors in the world, including Singaporeans
		<p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>The Bank is of the view that 3 business days to do the transfer is excessive. We propose to change the timeline to 1 business day.</p>
		<p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers' SCS.</p>



S/N	Respondent	Responses from respondent
		<p>The Bank is agreeable with the proposal. The Bank also suggest that customers' assets for different DPTs issued by same SCS issuer should be segregated.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>We suggest for the details to be added to clarify the following areas:</p> <ul style="list-style-type: none"> - risk assessment to be conducted for offering to holders/investors - use of credit to buy SCS (eg. are lending and leveraged facilitates allowed in SCS-related investment?) - governance requirements - complaints handling - handling of conflicts of interest - information disclosure such as volume, price etc on issuer website - information on how technology risk management since issuance of SCS will entail increase dependence on technology - details on how security policies should be documented by SCS issuers and how it should be audited - define the required operational SLAs for different SCS issuers with detailed disaster recovery plans
23	Visa	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>Visa agrees with the regulatory objectives of the MAS regarding its overall approach and appreciates the willingness of the MAS to “put in place a regulatory regime that supports the development of credible and reliable stablecoins that facilitate digital transactions”. The recognition that the current treatment of stablecoins as digital payment tokens (DPTs) under the Payment Services Act (PS Act) may not adequately achieve Singapore’s goal of supporting innovation while also ensuring financial stability is important due to the wide use of SCS, in comparison to other digital assets, in payments, and their corresponding exposure to the existing financial system.</p> <p>Furthermore, Visa agrees with MAS’ decision to limit its current focus to single-currency pegged stablecoins (SCS) issued in Singapore. Specifically, we agree that SCS require greater attention due to their increasing use in payment and settlement, and note that this approach is also consistent with the opinions of the Financial Stability Board, and other jurisdictions. With respect to SCS issued overseas and traded in Singapore, Visa suggests that the MAS continue to monitor these assets and work with international regulatory bodies on SCS issued outside of Singapore.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any</p>



S/N	Respondent	Responses from respondent
		<p>other regulated services specific to stablecoins.</p> <p>Visa commends the MAS for proposing a specific regulatory regime to address the regulation of stablecoin issuers and intermediaries. As the sector evolves, we encourage MAS to continue consulting with the industry to ensure regulation remains proportionate and fit for purpose.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>The MAS should understand the actors and/or processes involved in the issuance of stablecoins to evaluate how regulatory requirements and mandates may be enforced. These structures are necessary to protect the interests of consumers and ensure a competitive and fair market. More clarity is required from the MAS on the definitions of the three options to label the SCS.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>Visa appreciates the reserve requirements proposed by the MAS and understands the need to maintain a high degree of value stability for SCS, especially as it relates to safeguarding financial stability and mitigating harm to consumers. Furthermore, this proposal is in line with guidance released by the New York Department of Financial Services (DFS) on US-dollar backed stablecoins issued by virtual currency entities regulated by the DFS.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>Visa agrees with MAS imposing a time period for SCS issuers to enable redemption of SCS to fiat. On the specifics of the time period being implemented, we recommend that MAS consult with SCS issuers to determine the appropriate time frame to minimize risk of financial instability during times of stress, while ensuring that consumers’ interests are protected.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>Visa agrees that, given the early phase of SCS development, a stringent risk-based capital framework may impose disproportionately high compliance costs and thus appreciates the willingness of the MAS to propose a simplified capital regime. As the ecosystem</p>



S/N	Respondent	Responses from respondent
		<p>develops further, additional prudential requirements can be added, as necessary. With regard to the base capital and solvency requirements, Visa appreciates the clarity of providing such metrics and defers to the MAS as to the appropriateness of the levels stipulated within the proposal. However, on business restrictions, the MAS could consider permitting SCS issuers to engage in lending, investing, and staking up to a certain level, in consultation with digital payment token service providers, instead of a blanket ban.</p> <p>Additionally, with respect to the proposed disclosure requirements, Visa suggests including information of SCS issuers' lending and investments as part of the factsheet for SCS holders.</p>
		<p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>Visa opines that banks issuing tokenized bank liabilities should be subject to the aforesaid redemption and disclosure requirements, and in addition, to provide information of their lending and investments to SCS holders.</p>
		<p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>We do see the possibility of the scenario outlined in paragraph 4.22 taking effect, and consider the two suggested avenues outlined in paragraph 4.24 as sensible. The approach outlined in paragraph 4.24(a) passes the responsibility to the SCS issuer to prove that it meets equivalent standards on reserve backing and prudential requirements. We opine that this measure will be a good way to start addressing SCS issued in multiple jurisdictions but a more targeted and inclusive approach as suggested in paragraph 4.24(b) be embarked upon simultaneously to work toward a long-term solution.</p>
		<p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>Visa agrees with the proposal – adopting the principle of same activity, same risk, same regulation.</p>
		<p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers' SCS.</p> <p>Visa agrees with this measure for entities providing services of transmission or custody of MAS-regulated SCS to hold and segregate customers' MAS-regulated SCS from other customers' assets as well as its own assets in different custody accounts, to mitigate the risk of misuse of customers' SCS from the commingling of assets and ensure consumer protection.</p>
		<p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of</p>



S/N	Respondent	Responses from respondent
		<p>systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>Visa opines that the current stablecoin environment in Singapore is not at the stage to be defined as systemic and recommends that regulation be implemented commensurate with risk. For example, payment systems that are currently exempt from licensing (where the payment service provider does not face retail consumers but provides settlement between other payment service providers) should continue to enjoy the same exemptions insofar as it relates to stablecoin activities. Formal designation to any such payment systems should also apply only where there is “systemic” risk to the financial ecosystem, consistent with how MAS views what constitute a “systemically important payment system” (SIPS) or a “system-wide important payment system” (SWIPS), or where it is otherwise in the public interest to do so.</p>
24	VP Bank Ltd Singapore Branch	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>Question 1: VP Bank sees the regulatory scope on SCS as appropriate. With Europe expecting a major regulatory amendment in the next 18 months through MiCA regulation and the new DLT pilot regime, and Liechtenstein and Switzerland having also implemented similar legislation, VP Bank sees no reason to regulate SCS issued outside of Singapore. Even if an SCS is offered outside of Singapore, local providers would have to register with the MAS, which would mean that the capital adequacy requirements as well as the AML and KYC requirements would apply under this draft regulation. First of all, it should be mentioned that under point 3.7, a distinction is made between traditional e-money service providers and those who offer an e-money-like service on the blockchain. For the latter, the extended regulations according to stablecoin issuance service will thus apply. In our opinion, this should be clarified, as blockchain-based assets can also only be settled by an issuer where a KYC onboarding process has been defined in advance. This means that only customers of one platform can handle this coin. How does the MAS view such providers?</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>Question 4: We see a label for SCSs regulated by MAS as tricky. On the one hand, this label can also be used by non-regulated DPTSPs, on the other hand, this would mean another measure for the already regulated service providers in Singapore. We suggest that, for example, FSG-G02 be extended to require foreign issuers of SCSs to also notify MAS their whitepaper before offering SCSs locally in Singapore.</p>



S/N	Respondent	Responses from respondent
		<p>Furthermore, we may suggest (similar to the regulatory approach in Liechtenstein) a whitepaper notification to MAS prior to issuance.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>Question 5: VP Bank considers the requirement for monthly certified reporting regarding the SCS issuer's asset reserves to be extremely strict. As these have to be issued by an external audit firm, the financial burden increases especially for smaller and medium-sized SCS issuers. As the current draft regulation imposes some requirements on financial reserves and operational procedures, the increased financial burden of monthly attestations could be a criterion for SCS issuers to relocate to other domiciles and then to be audited from there.</p>
25	World Federation of Exchanges	<p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>In sum, WFE believes that the requirements are appropriate. MAS is proposing that stablecoin issuers obtain independent attestation (such as by external audit firms) that their reserve assets meet these requirements on a monthly basis. Additionally, it is recommended that issuers publish a whitepaper disclosing the rights of holders and further details on the token. These will all result in higher compliance and regulatory calibre for stablecoin issuers, alongside higher financial standards, and requirements. From an operational perspective, it can be said that stablecoin issuers will need to operate more closely to traditional asset managers to the extent that the proposed regulations require stablecoin issuers to hold all the reserve assets used to back the SCS in circulation in segregated accounts, separate from its own assets which are not reserve assets, positively contributing to regulatory certainty in the digital asset ecosystem. It is important to note that the new requirements are focused on SCS stablecoins, which can be redeemed from a single centralised entity or company. They will largely only be imposed on SCS issued in Singapore that have a circulation exceeding S\$5 million in value. Other types of stablecoins – including those issued outside Singapore such as USDC and Tether, those backed by a basket of goods or currencies, those backed by other cryptocurrencies, and algorithmic stablecoins – will all continue to be treated as digital payment tokens under the Payment Services Act and will not be subject to these new requirements. Given this narrow targeting of the new requirements to SCS, it can be argued that they are not comprehensive enough. However, MAS has proposed various specific thresholds for capital reserve, segregation of assets, and redemption timelines to ensure that the SCS maintains a high degree of value stability.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p>

S/N	Respondent	Responses from respondent
		<p>When looking at other jurisdictions in Asia, Japan has put in place stablecoin regulation (coming into force in June 2023), which restricts stablecoin issuance to Japanese-licensed banks, fund transfer agents and trust companies. In this regard, the Singaporean approach is feasible, while still being accommodative to stablecoin issuers considering that it does not prohibit non-bank stablecoin issuers, provided they can meet the various financial and prudential requirements as outlined in paragraph 4.24 and does not make it more prohibitive for foreign businesses to enter the market. Furthermore, the fact that tokenised versions of traditional assets have a similar prudential treatment to the non-tokenised version of that asset as long as these meet a set of conditions to ensure that they pose the same level of risks, should also be viewed positively.</p> <p>Furthermore, after consulting on requirements on stablecoin issuance in January 2022, regulators in Hong Kong appear to be exploring an agile regulatory approach, acting on the basis of risk and in a proportionate manner, when targeting stablecoin-related activities. The issued discussion paper indicated that it is considering standards such as prudential requirements (including adequate financial resources and liquidity requirements), maintenance and management of reserves of backing assets, and redemption requirements. While no specific thresholds or requirements have been floated so far, it appears Hong Kong is heading in the same direction as the MAS and Singaporean regulators.</p> <p>In the US, the New York State Department of Financial Services, which licenses certain companies which issue US-dollar-backed stablecoins in New York, also implemented new requirements for such companies in June 2022. Similar to the approach MAS has taken, the NYDFS’ requirements are targeted at ensuring the redeemability of such stablecoins, and the stability of the asset reserves that back such stablecoins. This requires from the issuers that they hold reserves in a limited list of conservative and liquid investments such as cash and short-term US treasury bills.</p>
26	Xfers Pte. Ltd.	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>We are supportive of the Authority’s intention to focus its regulatory regime on asset-backed SCS, instead of stablecoins pegged to multiple currencies, algorithmically-pegged SCS or unbacked SCS. We believe that asset-backed SCS are best able to achieve the stated objectives of developing value-added payment use cases for digital assets, and anchoring SCS issuers as utility service providers for the digital asset ecosystem.</p> <p>Clarification: Given that the intention is to add a new regulated payment service of stablecoin issuance to regulate stablecoin issuers based in Singapore, we would like to clarify the regulatory approach towards stablecoin issuers which provide stablecoin issuance services to the public in Singapore, and (i) are based outside Singapore, and/or (ii) conduct stablecoin issuance activities outside Singapore (we will refer to these issuers as “Overseas Issuers”).</p> <p>Specifically, we would like to seek clarity on the application of provisions in the PS Act relating to licensing of payment service providers, and the prohibition against solicitation.</p>



S/N	Respondent	Responses from respondent
		<p>(a) Will section 5 of the PS Act prohibit Overseas Issuers from carrying on a business of providing regulated SCS issuance services in Singapore? Or will Overseas Issuers be prohibited from carrying on a business of providing any stablecoin issuance services in Singapore?</p> <p>(b) Will section 9 of the PS Act prohibit Overseas Issuers from offering to provide regulated SCS issuance services in Singapore? Or will Overseas Issuers be prohibited from offering to provide any stablecoin issuance services in Singapore?</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>We are supportive of the intention to introduce an additional regulated payment service of SCS/stablecoin issuance. As set out below in our response to Question 11, we are of the view that incidental or intermediary services involving stablecoins should not be regulated or require licensing.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>Proposal: All regulated SCS, whether they are issued by a bank or non-bank issuer, should be backed or collateralised by a pool of assets subject to the same regulatory requirements and restrictions. Tokenised bank liabilities should not be recognised as MAS-regulated SCS; in order to issue regulated SCS, both banks and non-banks should be required to back or collateralise their SCS with a segregated pool of assets, and be subject to the same regulatory requirements.</p> <p>Explanation: In order to achieve MAS’ stated aim to implement a regulatory regime that supports the development of credible and reliable stablecoins and value-added payment use cases, two key principles are necessary and desirable: (a) Consumer clarity and confidence. Consumers of regulated SCS should be able to tell, from the label, that all regulated SCS share the same characteristics and features. (b) Equitable regulatory treatment across all issuers. The same set of regulatory requirements and restrictions (e.g. reserve asset requirements, prudential requirements, liquidity requirements) should apply across all regulated SCS issuers.</p> <p>(a) Consumer clarity and confidence</p> <p>Given that the same label is to apply to all regulated SCS, regardless of issuer, it should be the case that an SCS consumer be able to tell, from reading the label, that all regulated SCS are subject to the same minimum requirements in terms of reserve backing and price stabilisation. It would be in the interests of consumers, and the Singapore digital asset ecosystem as a whole, to have a single consistent standard for regulated stablecoins. This</p>



S/N	Respondent	Responses from respondent
		<p>requires that both bank and non-bank SCS issuers be subject to the same reserve asset requirements referred to in Question 5 of the Consult Paper. Tokenised bank liabilities should not be recognised as regulated SCS.</p> <p>SCS which are backed or collateralised by a segregated pool of assets (in accordance with reserve asset requirements) offers to consumers a safeguard that is based on the premise that there are sufficient reserve assets that are segregated from the issuer’s own assets to facilitate the redemption of the SCS at any time. This value stabilisation mechanism is different in substance from SCS in the form of tokenised bank liabilities, issued by traditional fractional-reserve banks. The risk posed to SCS consumers from the tokenised bank liabilities of a fractional-reserve bank is much greater than that from regulated SCS which are fully collateralised in the manner proposed by MAS. Having both non-bank issued SCS (with strict requirements as to reserve asset backing, and hence greater stability) and tokenised bank liabilities both falling under the same “label” or asset class, notwithstanding that the two have different reserve asset requirements and different value stabilisation mechanisms, would lead to unwanted consumer confusion.</p> <p>(b) Equitable regulatory treatment across all issuers</p> <p>Just as how the MAS stated its views in paragraph 3.7 of this consult paper that tokenised e-money on the blockchain is not considered e-money and given different regulatory treatment as a SCS (see also MAS’s answer to Question 23 of the Frequently Asked Questions on the Payment Services Act), so should tokenised bank deposits be distinguished from regular bank liabilities such as customer deposits , and accorded different regulatory treatment.</p> <p>In line with the principle for “same activity, same regulatory requirements”, MAS has exemplified this in the current example of PSA emoney safeguarding requirements, where MAS has rightly required deposit-taking institutions (“DTIs”) (e.g. banks) to be subject to the same safeguarding requirements to have an undertaking or guarantee from another safeguarding institution (Payment Services Act, s.23(10)) or to segregate “these customer moneys from its other moneys and holds them on trust for its customers such that the moneys are ring-fenced from the DTI’s own insolvency.” (MAS Response to Feedback Received - Proposed Payment Services Bill, paragraph 5.21 (published 19 November 2018))</p> <p>SCS issuers under the “Backed by 100% cash & cash equivalents” model will be required to meet reserve assets requirements discussed in Question 5 of this Consult Paper. On the other hand, banks are subject to substantially different requirements, with vastly different regime on how customer deposits may be dealt with (for example, Minimum Asset Requirements in Part 6 of the Banking Act 1970). Allowing banks to issue regulated SCS as tokenised bank liabilities, and applying the Banking Act regime would be inconsistent with the principle for regulating the same activity in the same way.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to</p>



S/N	Respondent	Responses from respondent
		<p>label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>The term “regulated stablecoin” is appropriate for both bank and non-bank issued SCS. In this context, we reiterate our view above in Question 3 that all regulated SCS issued by banks or non-banks should be the same model (i.e. “Backed by 100% cash & cash equivalents”, including eligible debt securities). The tokenised bank liability model should not be recognised as a regulated stablecoin.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>Proposal:</p> <p>(A) We generally agree with key requirements (a), (b) and (c) as set out in the Consult Paper, but propose 2 amendments:</p> <p>(i) The value of reserve assets should be valued on a notional basis, and not on a marked-to-market basis, and be equivalent to at least 100% of the par value of outstanding SCS in circulation at all times.</p> <p>(ii) Issuers should be allowed to hold reserve assets in the form of debt securities with a maximum of six months residual maturity, instead of three months.</p> <p>(B) SCS issuers should be allowed access to MAS repurchase (Repo) facilities, in order to better manage SCS reserve assets and liquidity.</p> <p>(C) The issuance of SCS should not be restricted to only those which are pegged to SGD or G10 currencies. Alternatively, if MAS is still minded to impose currency restrictions on regulated SCS due to the availability of high-quality liquid assets denominated in SGD and G10 currencies, then we propose that for non-SGD & non-G10 currencies, the reserve assets for these regulated SCS be held in the form of cash only.</p> <p>Explanation:</p> <p>(A) Reserve assets should be valued on a notional basis We welcome the proposal to allow SCS reserve assets to be held in the form of high-quality liquid assets, as this gives the SCS issuer an additional revenue stream from the yield generated by these reserve assets, while still maintaining a high degree of price stability. However, requiring the marked-to-market value of the reserve assets to be at least 100% of the par value of outstanding SCS in circulation may inadvertently place undue restrictions on how an issuer manages the SCS reserve assets.</p> <p>For instance, if the issuer were to hold reserves in the form of zero-coupon bonds, it would need to oversubscribe to the bonds (relative to the par value of outstanding SCS in circulation). This is due to the fact that zero-coupon bonds are issued at a discount and have a marked-to-market value below the face value of the bond. For example, even for MAS Bills, in order to back \$1,000,000 worth of SCS in circulation, an issuer would need to subscribe for MAS Bills with a face value of more than \$1,000,000. Prior to maturity, any interim movement in market interest rates would impact the marked-to-market value of</p>



S/N	Respondent	Responses from respondent
		<p>these bonds.</p> <p>This issue would be resolved by valuing the reserve assets on a notional basis, instead of a marked-to-market basis daily. Due to the high credit rating required of SCS reserve assets, this would still allow the SCS to maintain a high degree of price stability, but allow more flexibility in terms of how the issuer manages the SCS reserves.</p> <p>Reserve assets in the form of debt securities should have a maximum of six months residual maturity</p> <p>The tenor of debt securities factors into how the issuer manages its liquidity and fulfills the redemption requirements (Question 6 of this Consult Paper), and this should be considered separately from the credit risk of the reserve asset composition. We are supportive of the requirements to ensure that reserve assets in the form of debt securities are of a high enough credit rating. Allowing SCS issuers to hold SCS reserve assets in the form of debt securities with a slightly longer maturity would allow greater flexibility in terms of how the issuer manages SCS reserves.</p> <p>Allowing for longer tenor debt securities would also bring Singapore’s stablecoin legislation more in line with that of other jurisdictions such as the USA, which proposes to allow debt securities with a maturity of up to 1 year (Lummis-Gillibrand Responsible Financial Innovation Bill at section 601 https://www.congress.gov/bill/117th-congress/senate-bill/4356/text). It would also expand the pool of available assets which an SCS issuer can consider (for example, Singapore Treasury bills with a 6-month tenor), with such diversification being beneficial for the management of SCS reserve asset composition.</p> <p>(B) SCS issuers should be allowed access to MAS Repo facilities</p> <p>Given that MAS is already minded to allow SCS issuers to hold reserve assets in the form of central bank-issued debt securities, it stands to reason that SCS issuers should then be granted access to MAS Repo facilities. This will allow issuers to better manage the liquidity of their reserve assets, and ensure that timely redemption (as per Question 6 of this Consult Paper) can be facilitated. This is also in line with the stablecoin legislation of other jurisdictions such as the USA (Lummis-Gillibrand Responsible Financial Innovation Bill at section 601 https://www.congress.gov/bill/117th-congress/senate-bill/4356/text).</p> <p>(C) Issuance of SCS should not be restricted to only those which are pegged to SGD or G10 currencies</p> <p>Restricting the issuance of regulated SCS to SGD or G10 currencies, due to considerations surrounding the availability of high-quality liquid assets denominated in other currencies, would unduly restrict the regulated SCS market in Singapore. In order to continue developing the digital asset ecosystem in Singapore, we submit that a vibrant stablecoin market, with stablecoins denominated in a range of currencies, cannot be overlooked. Allowing the issuance of non-SGD and non-G10 currency SCS would attract more stablecoin issuers and foster healthy competition in the industry.</p> <p>We also note MAS’ various initiatives in promoting the integration of various payment</p>



S/N	Respondent	Responses from respondent
		<p>systems in the ASEAN region, for instance the linkage between Singapore’s PayNow and Thailand’s PromptPay (https://www.mas.gov.sg/news/media-releases/2021/singapore-and-thailand-launch-worlds-first-linkage-of-real-time-payment-systems), and the linkage between Indonesia’s QRIS and Singapore’s NETS QR codes (https://www.mas.gov.sg/news/media-releases/2022/indonesia-and-singapore-cross-border-qr-code-payments-connectivity-and-use-of-local-currencies-for-bilateral-transactions, see also https://www.mas.gov.sg/news/media-releases/2022/central-banks-of-indonesia-malaysia-philippines-singapore-and-thailand-seal-cooperation-in-regional-payment-connectivity). Allowing the issuance of regulated SCS pegged to ASEAN currencies would similarly promote the integration of regional payment systems in ASEAN, in line with MAS’s initiatives above.</p> <p>For these reasons, we propose that the issuance of SCS should not be restricted to only those which are pegged to SGD or G10 currencies. In the alternative, if MAS is not minded to allow the issuance of SCS in all non-G10, non-SGD currencies, then we propose that initially, the issuance of regulated SCS should be allowed for G10 and ASEAN currencies.</p> <p>If there are concerns surrounding the availability of high-quality liquid assets denominated in non-SGD, non-G10 currencies, MAS may wish to consider a requirement that regulated SCS denominated in these other currencies should have reserve assets held 100% in cash.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>The proposal to require SCS issuers to fulfill redemptions within 5 business days is reasonable. As mentioned in our response to Question 5, we suggest that SCS issuers also be allowed access to MAS Repo facilities, in order to allow issuers to better manage SCS reserve assets and liquidity.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>Proposal:</p> <ul style="list-style-type: none"> (a) Base capital - Higher of \$500,000, independent of the annual operating expenses of the issuer. (b) Solvency - To hold at all times an amount assessed by the SCS issuer to be needed to achieve recovery or an orderly wind-down, independent of the annual operating expenses of the issuer. (c) Business restrictions - We are supportive of the business restrictions proposed, to prevent an SCS issuer undertaking other activities that introduce additional risks to itself. <p>Explanation: For the sake of consistency and commercial viability, the base capital and solvency requirements of an SCS issuer should be independent of the issuer’s annual operating</p>



S/N	Respondent	Responses from respondent
		<p>expenses. While prudential requirements for stablecoin issuers are present in the legislation of foreign jurisdictions, the base capital and solvency requirements proposed in this Consult Paper are significantly higher than those in other jurisdictions. For example in the EU, the prudential requirements are equal to the higher of €150,000 or 25% of the fixed overheads of the previous year of the issuer (EU Markets in Crypto-Assets Proposal at Article 60 https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CONSIL:ST_13198_2022_INIT&qid=1664971576874&from=EN).</p> <p>Imposing base capital and solvency requirements which are too high may be unnecessarily burdensome on SCS issuers, and may disincentivise issuers from being regulated in Singapore.</p> <p>We are generally supportive of the business restrictions proposed, to prevent an SCS issuer undertaking other activities that introduce additional risks to itself. However we note that in relation to the restriction on SCS issuers investing or extending loans to other companies, the maximum exposure of the SCS issuer is limited to the equity position invested or the debt quantum extended to the counterparty. As an alternative to an outright prohibition on investing or extending loans to other companies, MAS may wish to consider maximum exposure limits for SCS issuers which conduct such activities instead.</p> <p>We also note that these prudential requirements are disproportionately higher than what is required of other MPIS licensed for other payment services, such as e-money issuance. Particularly in the case of e-money issuance, the financial and prudential risk profiles of an e-money issuer and an SCS issuer are largely similar. In the interest of consistency and equitable regulatory treatment across similar payment services, MAS may wish to consider lower base capital and solvency requirements, and less stringent business restrictions for SCS issuers.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>Proposal: As mentioned in Question 3, banks should not be permitted to issue regulated SCS as tokenised bank liabilities. However if the Authority is still minded to permit this, then banks issuing tokenised bank liabilities should similarly be subject to the same redemption and disclosure requirements as non-bank issuers are.</p> <p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>Proposal: Bank-issued SCS backed by reserve assets that are segregated from the rest of the bank’s assets should be subject to the same reserve asset, redemption, disclosure and prudential requirements as non-bank issuers are.</p>



S/N	Respondent	Responses from respondent
		<p>Explanation: As mentioned in Question 3, it would be beneficial to provide simplicity and clarity to consumers in terms of MAS’ approach to all SCS, irrespective of whether the issuer is a bank or non-bank. Accordingly, both bank and non-bank issuers should be subject to the same requirements in terms of reserve asset, redemption, disclosure and prudential requirements. This would also serve to maintain a competitive, level playing field amongst all SCS issuers, which is beneficial for supporting the development of the digital asset ecosystem in Singapore.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>We are generally supportive of the proposed approaches outlined in paragraph 4.24, and reiterate our responses in Questions 5 and 7 that it would be beneficial to ensure that the reserve backing and prudential requirements required of SCS issuers in Singapore are commensurate with those in foreign jurisdictions. This would support the development of a vibrant digital asset ecosystem in Singapore, by making Singapore an attractive jurisdiction for issuers to have their SCS regulated in.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>Stablecoin issuer: As set out in Question 2, payment services which are incidental to SCS-issuance activities should be exempted or carved out from the scope of regulated DPT services. For example, the transmission (or arrangement for the transmission) of SCS, the “custody” of SCS, safeguarding of SCS, carrying out on behalf of customers instructions relating to SCS, and exchanging one SCS for another SCS, should all not be considered regulated DPT services.</p> <p>We are of the view that a lot of the value of being a regulated SCS issuer and issuing a regulated SCS is negated when incidental or intermediary SCS activities are regulated as DPT services. By requiring digital asset service providers to be licensed to provide DPT services in order to deal with regulated SCS, this creates a barrier to entry for dealing with SCS which goes against the stated objectives of (i) regulated SCS being the subject of value-added payment use cases, and (ii) utility services in the digital asset ecosystem being built in connection with regulated SCS.</p> <p>Other intermediaries / users: The proposed stabilisation mechanisms (in Questions 5 to 7 of this Consult Paper) are sufficient to maintain a high degree of value stability, and largely mitigate any risks involved in dealing with regulated SCS. Accordingly, there are lower risks associated with dealing with a regulated SCS (as opposed to other stablecoins) from the perspective of a digital asset service provider, and therefore dealing with SCS should not require the</p>



S/N	Respondent	Responses from respondent
		<p>service provider to be licensed/exempted to provide DPT services.</p> <p>Just as companies may deal with e-money (issued by a licensed e-money issuer) without additional licensing or regulation, so should a digital asset service provider be able to deal with regulated SCS without additional licensing or regulation.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>We agree that 3 business days is a reasonable timeline for the transmission of SCS. We note that in practice, the industry expectation is that SCS should be transmitted more quickly than 3 business days.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>We are generally supportive of the proposal to segregate customers’ SCS from the service provider’s own corporate assets, but there is no incremental benefit to requiring that customers’ SCS are segregated further from customers’ DPTs.</p> <p>Explanation: To facilitate the return of customers’ assets in the event of a DPTSP’s insolvency, it is beneficial to require that the DPTSP segregate customers’ assets from its own corporate assets.</p> <p>However in practice, it may not be necessary or beneficial to further segregate customers’ DPT assets from customers’ SCS assets because blockchains (e.g. Ethereum) are already able to record each tokenised asset separately even multiple types of tokenised assets are held in the same blockchain address - this is analogous to a bank “multicurrency account”. Further segregation does not decisively deter misappropriation of customer assets by errant DPTSPs. The provisions of the Payment Services (Amendment) Act which address issues on commingling, safeguarding and monitoring of digital assets, as well as the proposed segregation requirements for DPT custody in the DPT Consult Paper are sufficient to mitigate the risk of loss of customer digital assets.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>Widely used stablecoins all run on decentralised, public blockchains, and it is not appropriate to designate these as DPS. SCS issuers do not “operate” SCS payment systems in the same way that other DPS are operated by a single centralised payment service provider, and it is also not appropriate to impose obligations on the SCS issuer as the “operator” of system stablecoin arrangements.</p>



S/N	Respondent	Responses from respondent
		<p>Explanation: The role of SCS issuers, as an industry standard and as envisaged by this Consult Paper itself, is to (i) develop the smart contract and white paper for regulated SCS, and (ii) controlling the total supply of, and minting and burning of SCS. The operation, transmission and availability of the blockchain network(s), on which SCS run, is facilitated by the numerous validators of the blockchain network(s), and beyond the control of the SCS issuer.</p> <p>There is no single node or validator of a public blockchain that is an appropriate target for regulation as DPS, as no single node or validator can be held responsible for the operation of the blockchain. For instance it is not appropriate to impose obligations of operations and settlement institutions of DPS (Part 3, Division 3 of the Payment Services Act 2019) on an SCS issuer, and there is no single “operator” which it would be appropriate to regulate in terms of the control of controllers (Part 3, Division 6 of the Payment Services Act 2019) and/or officers (Part 3, Division 7 of the Payment Services Act 2019) of operators of an SCS-related DPS.</p> <p>In addition, it is not meaningful to have a statutory power to require SCS issuers to provide information relating to an SCS DPS (Part 3, Division 1 of the Payment Services Act 2019), as such information would already be publicly available on a blockchain explorer platform (e.g. the Ethereum blockchain explorer Etherscan (https://etherscan.io/) for all ERC-20 tokens).</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>Proposal: As part of the implementation of the new regulatory framework for regulated SCS, MAS should implement saving and transitional provisions to “grandfather in” existing stablecoin issuers in Singapore.</p> <p>Explanation: Similar to how the PS Act contained saving and transitional provisions for licensees and exempted entities under the MCRBA and PSOA (Sections 122 and 123 of the Payment Services Act 2019), MAS should also consider allowing existing stablecoin issuers in Singapore to be “grandfathered in” as a regulated SCS issuer under the new regulated SCS framework. For existing stablecoin issuers which are licensed or exempted from holding a license to provide DPT services, and who wish to be regulated as an SCS issuer immediately upon enactment of the new regulated SCS framework, they should be deemed to have been granted a licence to provide regulated SCS issuance services. MAS may also wish to consider granting these entities a temporary exemption from the SCS reserve asset and/or prudential requirements, similar to how existing MCRBA licensees were granted an exemption from the PS Act section 23 safeguarding requirements in respect of cross-border money transfer / money-changing services provided (Section</p>



S/N	Respondent	Responses from respondent
		122(1)(b) and 122(2)(b) of the Payment Services Act 2019). This would facilitate the development of a digital asset ecosystem with credible and reliable stablecoins immediately upon the implementation of the new regulated SCS framework.
27	Zhang Wei	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>I will refer to the Proposed Regulatory Approach for Stablecoin-Related Activities as "Stablecoin Proposal" in my submissions hereinafter.</p> <p>MAS proposes to focus its regulation on single-currency pegged stablecoins (SCS) issued in Singapore. It will further exclude SCS "which are algorithmically-pegged, unbacked or backed by other cryptocurrencies". I have the following observations about this regulatory scope.</p> <p>First, I agree with MAS that the SCS within the proposed scope is likely the most stable type of stablecoins with the least volatility in value. In other words, stablecoins outside this scope may involve higher risk and be more vulnerable to speculative forces.</p> <p>Next, before we determine the proper scope of the proposed regulation, it is important to clarify what we are looking for. If the intention is to address the issue that the existing regulatory treatment "does not regulate to ensure that stablecoins maintain a high degree of value stability and any associated stabilization mechanisms" (paragraph 3.2), then stablecoins with higher risk should be subject to stricter regulations tackling such risk. But this seems to be at odds with the proposed regulatory scope and the rules applicable to stablecoins outside this scope.</p> <p>According to paragraphs 3.5 and 4.3, stablecoins not covered by the additional requirements of the Stablecoin Proposal will continue to be governed by the existing Digital Payment Token (DPT) regime under the PS Act. According to paragraph 3.1, under this existing regime, "DPT service providers are regulated primarily for money laundering (ML) and terrorism financing (TF), and technology risks". Therefore, stablecoins outside the scope of the MAS proposal will NOT be subject to the proposed measures for reducing value volatility, yet they can still be used in Singapore (this is made clear in paragraph 5.2). In short, less stable stablecoins will nevertheless be subject to fewer stability regulations.</p> <p>This is apparently inconsistent with the aforementioned regulatory intention to maintain a high degree of value stability in stablecoins. Instead, to achieve this goal, either the scope of the proposed regulation should be expanded to include those more volatile stablecoins, or the usage of the more volatile stablecoins should be restricted, for instance, to institutional and accredited investors (perhaps with a carve-out for small size SCS issuers mentioned in paragraph 4.3).</p> <p>Alternatively, MAS may intend to "anchor strong stablecoin issuers as utility service providers for the digital asset ecosystem" (section (a) of paragraph 3.3). The proposed</p>



S/N	Respondent	Responses from respondent
		<p>regulation framework is basically to create a type of low risk stablecoins and give it a clear label. Hopefully, users / investors will choose among different types of stablecoins according to their risk preferences with the guidance of the newly created label. If this is the real regulatory intention, then the proposed scope, including its geographical dimension, seems appropriate.</p> <p>However, the fulfilment of this second version of regulatory intention may heavily count on the growth trajectory of the digital asset ecosystem. If stablecoins are more frequently used for consumption or investment in this ecosystem, stablecoins with lower volatility will be in high demand. Hence, strong stablecoin issuers complying with the proposed regulatory requirements will indeed be anchored. On the other hand, if the digital asset ecosystem mostly needs stablecoins for speculation or gambling, then compliance costs may place issuers of MAS-regulated SCS at a competitive disadvantage since they cannot easily increase the supply of stablecoins as unregulated issuers can.</p> <p>In summary, the regulatory scope should fit with the regulatory intention. Multiple intentions with different implications on the regulatory scope appear to exist in the current version of the Stablecoin Proposal. Thus, further clarification in this respect is desirable.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>SCS pegged to and backed by a single currency is substantively similar to money market mutual funds. Hence, the regulatory measures of such funds can serve as a good reference. I am generally supportive of the reserve asset requirements in paragraphs 4.13 and 4.14, which focus on the riskiness and liquidity of reserve assets. In fact, the requirements set in section (b) of paragraph 4.13 appear somewhat stricter than those applicable to money market funds. I also support the monthly independent attestation requirement proposed in paragraph 4.15 as well as the requirement of segregated accounts in paragraph 4.16.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>With respect to the timely redemption requirement proposed in paragraph 4.17, I suggest that the redemption be conducted on daily basis instead of “at any time” since the reserve assets are valued on a daily basis (section (a) of paragraph 4.13). This is also consistent with the practice of open-ended mutual funds and can contribute to orderly redemptions. Indeed, considering the active secondary market available for cashing out stablecoins, redemption will probably be most relevant in times of market stress. Under such circumstances, rushing for redemptions will accelerate an SCS issuer’s distress, which may even trigger a significant risk to the overall financial market. Therefore, some</p>



S/N	Respondent	Responses from respondent
		<p>jurisdictions allow money market funds to suspend redemption temporarily when under liquidity stress (e.g. US SEC Rule 2a-7(c)(2)).</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>With respect to the prudential requirements proposed in paragraph 4.21, I suggest that the base capital requirement be set as a percentage, e.g. 8% or 10%, of the value of the SCS in circulation. The current proposal, higher of S\$1 million or 50% of annual operating expenses, might favour large SCS issuers in that operating expenses tend to exhibit economies of scale. Moreover, operating expenses will not serve as sufficient equity cushion when the value of reserve assets becomes volatile.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers' SCS.</p> <p>I fully support segregation and independent custody of customers' MAS-regulated SCS by SCS service providers. As mentioned in my comments on Q5, SCS is close to money market funds in essence, and independent custody is also widely required for money market funds.</p>
28	Respondent A	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>We agree with an initial focus on single-currency pegged stablecoins (SCS), as these are the most well-developed and well-understood stablecoins. As stablecoins develop both technologically and financially, it may be appropriate to make other types of stablecoins subject to this framework rather than to MAS's digital payment token (DPT) framework.</p> <p>We agree that MAS should focus on SCS issued in Singapore. For SCS issued outside of Singapore, we encourage MAS to closely cooperate and coordinate with other regulators and international bodies.</p> <p>Regarding the categorisation of stablecoins, we respectfully suggest that the Stablecoin Consultation does not appropriately distinguish between stablecoins that, like Terra, have no backing other than another digital asset that exists within the same stablecoin arrangement – and thus are essentially uncollateralized – and other, properly crypto-backed stablecoins, like DAI, that are fully collateralized by digital assets that exist outside the stablecoin arrangement and are otherwise unaffiliated with the promoter of the stablecoin. The Stablecoin Consultation states that both types of stablecoins are more susceptible to volatility in value. While we agree that wholly uncollateralized stablecoins like Terra are prone to death spirals, DAI and other crypto-backed stablecoins have established strong track records of resilience through periods of market stress. MAS should recognize the benefits of well-designed crypto-backed stablecoins and consider including them within the proposed stablecoin regulatory regime.</p>



S/N	Respondent	Responses from respondent
		<p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p> <p>We agree that the stablecoin-specific regulatory regime should focus on stablecoin issuers. The other key functions performed within a stablecoin arrangement that should be in scope of the regulatory perimeter relate to the custody and management of reserve assets. Because these functions would be performed either by the stablecoin issuer itself, or by a third-party custodian or other third-party service provider pursuant to an agreement with the stablecoin issuer, these functions would be adequately addressed under MAS’ proposal or other existing regulations and therefore do not require the introduction of any additional regulated services.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>As a general principle, we encourage MAS to take steps to promote a level playing field between bank and non-bank issuers of new financial services products. MAS should consider the time it will take non-bank SCS issuers to complete the licensing process (should a similar licensing process not be required for bank SCS issuers) to avoid the emergence of an unlevel playing field. We discuss our views on appropriate prudential requirements in our response to question 7.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>We believe that clear terms differentiating regulated and unregulated activities and entities is key to educating consumers about which firms meet the high standards set forth by MAS. We support MAS’ proposal to introduce a label for MAS-regulated SCS, and agree it is appropriate to have a single label for bank and non-bank MAS-regulated SCS. We also suggest that MAS introduce labels to differentiate regulated and unregulated entities involved in DPT activities more generally.</p> <p>Among the three terms proposed for MAS-regulated SCS, we suggest selecting the term “qualifying stablecoin.” We believe that term will properly signify that the stablecoin has cleared a high bar of scrutiny. Additionally:</p> <ul style="list-style-type: none"> - “regulated” stablecoin might imply that other stablecoins are entirely unregulated, even if they are subject to other forms of regulation. It also focuses attention on the mere fact of a stablecoin being subject to rules, as opposed to substantive qualities supporting its soundness; and



S/N	Respondent	Responses from respondent
		<p>- “securely-backed” suggests that the backing for other stablecoins (for instance crypto-backed stablecoins like DAI) is unsecure, despite their strong track record of resilience through periods of market stress.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>We believe MAS has done a commendable job of outlining the key reserve asset requirements. We agree that:</p> <ul style="list-style-type: none"> - the reserves used should be highly liquid and low risk; and - transparency and disclosures (including attestations by an independent accountant) are necessary to help customers make informed decisions. <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>We agree with MAS’ approach with respect to timely redemption and concur that the five-business day redemption period is an appropriate guidepost for issuers. There may be some circumstances beyond an SCS issuer’s control, such as protocol or other technical issues, that might warrant additional flexibility.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>We generally agree with MAS that an appropriately sized capital buffer based on operational, credit, and market risk, as well as appropriate specification of the permissible reserve assets for an SCS, would support the development of public confidence over time. Further, we would note that an appropriate capital buffer can and should be designed to address these risks. On the topic of business restrictions for SCS issuers, we generally agree with MAS’ proposed measures, provided that affiliates of an SCS issuer remain able to conduct other business activities and are not subject to such restrictions. In each case, we recommend that MAS should adopt a flexible approach and continue to engage in dialogue with industry participants and other stakeholders so that any applicable requirements remain appropriately calibrated as SCS industry practices and the broader digital asset ecosystem continue to mature.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>Deposits and other bank liabilities are already subject to prudential regulation, and in our view these liabilities should remain subject to substantially the same standards with respect to redemption irrespective of whether or not they are tokenised. With respect to disclosure, however, we agree that application of the same standards to tokenised bank</p>



S/N	Respondent	Responses from respondent
		<p>liabilities as to SCS may be appropriate, to the extent that banks intend for tokenised liabilities to be traded on public blockchains and otherwise compete with SCS for users seeking the same or similar functionality.</p> <p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>We do not have further commentary apart from the above response to Question 8 on this question.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>SCS exist on public blockchains; they do not stop at a country’s borders. As MAS notes, the “global nature of such activities opens up opportunities” such as multi-jurisdictional SCS. If so, cross-border regulatory cooperation and coordination will be crucial. Multi-jurisdictional SCS would benefit from consistent, globally coordinated regulatory requirements. This requires a common framework for the regulation of SCS like the one MAS is creating. It also requires regulators to show respect and deference to one another by incorporating concepts of reciprocity and substituted compliance in their regulatory frameworks, to avoid imposing conflicting requirements. Such cross-border cooperation is in the best interests both of the domestic regulators, who save on their own investigation and monitoring costs, and market participants, who face less regulatory uncertainty and save on compliance costs by not being required to comply with multiple sets of duplicative rules.</p> <p>We encourage MAS to take a flexible approach toward the regulation of multi-jurisdictional SCS. We also recommend that MAS communicate clear, workable standards so that market participants know up front what would constitute “sufficient regulatory oversight.” Coinbase stands ready to provide any technical assistance that would be beneficial to MAS in its engagements with other regulatory authorities on the development of suitable frameworks for multi-jurisdictional SCS.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>We agree that SCS should generally continue to be treated as DPTs for the purposes of non-issuance activities. With respect to Coinbase itself, we note that we are currently regulated under the PSA as a holder of an In-Principle Approval for the Major Payment Institution licence. There are no specific activities related to SCS that are not caught as a regulated DPT service that we would like to raise at this time.</p>



S/N	Respondent	Responses from respondent
		<p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>We agree that three business days would generally be a reasonable timeline for DPT service providers to transmit SCS from payer to payee. But we would note that there are certain technological dependencies on the underlying blockchain network that impact the timelines of DPT and SCS transfers. Though the vast majority of transactions are confirmed in close-to-real time, in light of these dependencies and the delays they may cause, we would suggest not imposing a firm time frame for SCS transfer given that these delays are caused by the underlying network and not by DPT service providers.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>We would require more detail from MAS on its rationale regarding the segregation of SCS and DPTs within a customer’s account. We do not see an inherent benefit of this approach to address the concern regarding the misuse of customer funds. Pending further clarity from MAS, such a requirement would introduce significant operational complexities. To that end we welcome further discussion with MAS on this proposal.</p> <p>In reference to Coinbase’s response to the Proposed Regulatory Measures for Digital Payment Token (DPT) Services consultation, we would first like to address the issue of segregation broadly. As discussed in our concurrent submission to MAS, customer assets need to be protected from the risk of misuse and in the case of the insolvency of a Digital Payment Token Service Provider (DPTSP). There are steps that regulators and market participants can take to maximise customer confidence. Segregation of customer assets from a DPTSP’s own assets is one important step, but it is not the only one. Moreover, the type of segregation offered or required may vary by activity or service provided. Custodians holding customer assets should be subject to robust regulatory oversight. This would be enhanced by the transparency of the blockchain, which makes publicly visible the sum total of DPTs held by a custodian. Customer deposits should be backed by assets—and if a participant promises they will be backed 1:1, then this promise must be kept. Platforms should not be able to use customer assets without customer consent. Service providers should be required to disclose how assets are held and used, and regulators should have sufficient oversight powers to ensure service providers follow through with these disclosures. Assets should be tracked through robust recordkeeping so that they can be returned to their rightful owners. In sum, the ultimate outcome should be the same: customers should have priority over all other creditors in the insolvency of the relevant intermediary.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p>



S/N	Respondent	Responses from respondent
		<p>We agree that it may be appropriate for MAS to apply heightened regulatory and supervisory standards to the primary legal entities involved in a systemic stablecoin arrangement, in light of the greater need to safeguard financial stability as compared to an ordinary stablecoin arrangement. However, as noted by MAS in the Stablecoin Consultation, there is no evidence at this stage that any existing stablecoin arrangement would qualify as systemic. It would be pragmatic and appropriate for MAS to first consider what systemic issues may exist in the future before determining regulatory measures in order to ensure that any policy response is in direct proportion to those risks and aligned with relevant international standards, such as the principles developed by the Financial Stability Board. MAS took a similar approach to determining which payment systems were deemed systemically important to Singapore, and this occurred at a stage of global maturity of the broader ecosystem.</p> <p>We are further concerned with the breadth of MAS’ use of the term “stablecoin arrangement.” As used in the Stablecoin Consultation, this term captures a wide range of activities, many of which are well outside the typical purview of financial market infrastructures. For example, section 6.2 of the Stablecoin Consultation notes that “MAS proposes to make relevant amendments to the PS Act . . . to empower MAS to collect information on a stablecoin arrangement from . . . validators of transactions.” Subjecting validators to financial regulation or oversight could have unintended consequences. Validators, for example, help ensure the security of public blockchains, and overly burdensome requirements could in turn undermine network security. More generally, we recommend that MAS should clarify that the regulatory perimeter associated with a “stablecoin arrangement” does not include any validators, block builders, relays, pool operators, and other blockchain technology infrastructure providers who may have no involvement of any kind in a stablecoin arrangement other than to support the blockchain network on which a stablecoin may operate. The application of stablecoin-specific regulatory requirements to the operational components of a blockchain network is, at best, impractical and unnecessary to the regulatory objective of maintaining the soundness of fiat-backed stablecoins. At worst, it would hinder the adoption of novel, evolving and promising technology.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>We have no further comments related to MAS’ regulatory approach towards stablecoins and stablecoin-related activities. We appreciate MAS’ consideration of our comments and look forward to working with MAS to help stablecoins usher in a new era of innovation in financial services.</p>
29	Respondent B	<p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p>



S/N	Respondent	Responses from respondent
		<p>Single-currency pegged stablecoins (SCS) should be recognized as tokenized forms of a specific currency that are used for transactions, except that it is leveraging on blockchain technology. Like money in personal payment accounts, SCS is an extension of cash/bank deposits, and its full governance should therefore comply with prevailing regulations related to (i) Account Issuance and (ii) E-money.</p> <p>The current regulatory framework by MAS for account issuance is based on both the Payment Services Act (with e-money being the form of deposits held and managed) and the Banking Act (with cash and/or e-money being the form of deposits held and managed).</p> <p>Under the Banking Act, there are no cap and flow limits on accounts issued. However, under the Payment Services Act (PS Act) 2019, MAS has restricted the personal payment accounts to a load capacity of S\$5,000 and an annual transaction flow cap of S\$30,000. The reasons cited in MAS’ “Guide to the essential aspects of the Payment Services Act 2019” are to: (1) protect customers by limiting a customer’s potential loss from the customer’s account and, (2) to ensure the continued stability by reducing the risk of significant outflows from bank deposits to e-money, which can undermine the stability of banks.</p> <p>Accordingly, SCS being an extension of cash/bank deposits and e-money should be subject to the same regulations so that the guiding principles as meted out by MAS for the PS Act are not compromised. If SCS issuance is set up as a new and independent regulated payment service under the PS Act, successful applicants of this independent license could possibly bypass existing regulatory controls earlier imposed on personal payment accounts governed under the PS Act. This will have negative consequences on customer protection and overall financial stability as cited by MAS in its guide to PS ACT 2019.</p> <p>Instead, we recommend that MAS regulate SCS issuance within the existing regulatory framework related to Account Issuance i.e. where entities not governed by the Banking Act and wants to get a license for SCS issuance must make an application and be reviewed according to the regulatory guidelines pertaining to Account Issuance and E-money under the PS Act. As no global standard has been developed for the technology and operations of SCS as a credible digital medium of exchange, enabling outsized SCS issuance and consequently unbridled SCS-linked account issuance can cause systemic risks to the Singapore financial systems that MAS sought to mitigate with the PS ACT 2019 originally.</p> <p>In addition, where SCS issuance is regarded as an extension of the Account Issuance activity, the “Reserve Asset Backing”, “Timely Redemption” and “Disclosure” requirements, are not dissimilar to existing Major Payment Institution requirements for personal payment account issuance under PS Act 2019 and the additional “Prudential Requirement” can be regarded as additional safeguards for customers’ funds. We believe this will future-proof MAS’ existing regulatory framework against future innovative technologies.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and</p>



S/N	Respondent	Responses from respondent
		<p>non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>Referring to our response to question 2, our view is that the SCSs issued by entities regulated only under the PS Act should be subject to existing cap and flow restrictions under the act. As such, there should be different labels for SCS issued by such entities versus SCSs issued by entities that do not have cap and flow restrictions. This will help consumers distinguish between the two.</p>
		<p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>The proposed reserve asset requirements are fair and aligned with the motivations of existing regulations under PS ACT 2019 for safeguarding customers’ funds.</p>
		<p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>It is a fair expectation for an SCS issuer to return the par value of the SCS to the SCS holder expediently, and in any case, no later than five business days from the date when a legitimate redemption request is received</p>
		<p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>The prudential requirements are fair.</p>
		<p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>Yes, scenario in 4.22 is a likely development especially since Singapore is generally used as a springboard to launch similar business concepts/initiatives into the region. Proposed approaches are feasible.</p>
		<p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>Yes.</p>
		<p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p>



S/N	Respondent	Responses from respondent
		<p>Yes. SCS should be deemed as equivalent to customers’ cash, where the rule of segregation similarly applies on customers’ funds under existing regulations in PS Act 2019.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>As stablecoins facilitate transfers within a global environment, it will be necessary for MAS to consider the use of MAS-regulated SCS by the international community (e.g. foreigners in Singapore and foreigners not residing in Singapore). It is highly likely that these international customers will trust MAS’ regulatory track record and reputation and want to transact globally using MAS-regulated SCS.</p> <p>The global utility of MAS-regulated SCS is tied to the availability and accessibility of payment channels for the SCS where the most convenient are cards (prepaid, debit & credit) and virtual accounts/e-wallets. Subject to existing ML/TF regulatory requirements, MAS should welcome the increased onboarding of international customers as a milestone for the successful implementation of the MAS-regulated SCS and its role in developing Singapore’s digital asset ecosystem.</p>
30	Respondent C	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>The Participants agree that holistically it is sensible to distinguish SCS regulation from non-SCS regulation, particularly as SCS may be more tied to payments use cases. In particular, the Participants note that tokens that are algorithmically-pegged, unbacked or backed by other cryptocurrencies, would be more susceptible to volatility and note that MAS would continue to treat such tokens as DPTs.</p> <p>For consistency, in addition to the existing PS Act obligations on DPTs, the Participants suggest extending any additional (new) stability requirements, to be applied to the new SCS category, to stablecoins that would continue to be construed as DPTs as well.</p> <p>Separately, the Participants seek to clarify if “MAS regulated SCS” pegged to SGD would be insured under the Singapore Deposit Insurance Scheme.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>The Participants agree that, in line with the regulatory framework illustrated in Section 4 of the consultation paper, banks that issue “stablecoins” as banks liability in a manner consistent with other banking activities subject to the Banking Act, such as to represent</p>



S/N	Respondent	Responses from respondent
		<p>deposit liabilities, should not be subject to additional licensing or additional separate regulation.</p> <p>The Participants note that taking a consistent approach to regulating banks in this manner appropriately reflects that banks already are highly regulated and existing frameworks are appropriate to address banking activities carried out in this new electronic form. A separate regulatory regime from the Banking Act could cause regulatory confusion for banks, increase costs associated with implementing compliance programs and thereby cause a barrier to entry to banks looking to enter this space, which would be disadvantageous to the general market as banks would be highly regulated, trusted actors bringing stability to this space.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>The Participants express concern that applying a single label for bank and non-bank issued SCS may cause public confusion; namely, that SCS issued by non-banks are the same as those issued banks. Accordingly, the Participants suggest that the approach should ensure clarity vis-à-vis the public, in making a distinction between SCS issued by non-banks versus banks.</p> <p>Separately, the Participants do not support applying the same label to tokenised bank liabilities and bank-issued SCS. Tokenised bank liabilities are structured differently from bank-issued SCS, and users need to be able to distinguish between reserve-backed SCS versus tokenised bank liabilities.</p> <p>The Participants are also of the view that the use of a stablecoin label is not appropriate for tokenised bank liabilities, as this would create confusion as to how the different assets are backed and regulated.</p> <p>Additionally, as banks will not be required to procure additional licensing for tokenised bank liabilities, the Participants note that it is unclear how such banks will be required to apply the label. If a label is required for bank liabilities, such label should be distinct and reflect the nature of the bank liability – e.g., “Qualified Deposit Token”.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>The Participants welcome MAS’ proposal that bank issued SCS backed by reserve assets would not be subject to additional / specific reserve requirements.</p> <p>The Participants also observe that SCS pegged to and backed by reserve assets in the form</p>



S/N	Respondent	Responses from respondent
		<p>of a single currency would mirror money market (“MM”) mutual funds. On this basis, existing measures applicable to MM mutual funds should be considered.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>With reference to paragraph 4.17 of the consultation paper, the Participants suggest that redemption be conducted on a daily basis, to align with the practice of open-ended mutual funds. This can assist in orderly redemptions. The Participants also note that reserve assets are valued daily, and under conditions of market stress, imposing a similar requirement in relation to SCS would be particularly helpful.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>The Participants note that the prudential requirements as stated in the paper would not be applicable to bank-issued SCS.</p> <p>With reference to paragraph 4.21 of the consultation paper, the Participants suggest that the base capital requirement be set as a percentage (e.g. 10%) of the total value of the SCS in circulation. The Participants observe that the current proposal may favour large SCS issuers in that operating expenses tend to exhibit economies of scale, and expressed the view that operating expenses would not serve as sufficient equity cushion when the value of the reserve assets become volatile.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>In respect of the redemption requirement as it applies to tokenised bank liabilities, the Participants express the view that requirements on timely redemption should not be more onerous than current requirements imposed on bank deposit withdrawals, and note that these products would need to be integrated with existing operational processes.</p> <p>With respect to disclosure – the Participants express the view that separate disclosures should not be imposed on banks issuing SCS as tokenised bank liabilities. While the Participants accept that banks should be required to continue to provide any disclosures associated with the underlying liability, if any, it is observed that the contemplated additional disclosures do not seem to be applicable in the context of a deposit liability, for example. The Participants note that a bank would likely continue to address issues of rights and obligations, etc. of the holder of a tokenised bank liability through their customer terms.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS</p>



S/N	Respondent	Responses from respondent
		<p>welcomes suggestions on other approaches to address this issue.</p> <p>The Participants believe that the scenario outlined in paragraph 4.22 would be possible: entities may particularly select different locations of issuance, either to address issuance in multiple currencies or operational needs for global issuance, or to meet regulatory requirements for issuance in other jurisdictions.</p> <p>The Participants suggest that one possible approach may be to establish clear standards for when off-shore issuers would be deemed to be sufficiently interacting with Singapore markets to require submission of attestations.</p> <p>The Participants do not believe these additional requirements should be applied to tokenised bank liabilities, and instead, existing cross-border banking practices should be applied.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment service or by amending the scope of an existing payment service.</p> <p>The Participants wish to clarify whether a bank could be construed as operating an SCS intermediation service where it facilitates the transfer of SCS.</p> <p>The Participants are of the view that this should not be the case for tokenised bank liabilities, where payments with such SCS could become part of normal banking services in the future.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>The Participants seek to confirm that this requirement is only applicable to DPT service providers and not exempt entity (i.e. banks) which offer the service of arranging for the transmission of MAS-regulated SCS.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>The Participants expressed the view that the proposed requirements for segregation of MAS-regulated SCS (from other customers’ assets as well as the issuers’/intermediaries’ own assets), may be appropriate to reduce the risk of misuse of customers’ SCS. This is particularly if the service being provided is specifically custody or transmission of such SCS. However, the Participants note that the Guidelines would need to be clear that these specific segregation requirements would not apply in respect of other services (e.g. deposit-taking services).</p> <p>In addition to the above, the Participants also suggest that such MAS-regulated SCS be</p>



S/N	Respondent	Responses from respondent
		<p>safeguarded by qualified/licensed custodians, or that clients should retain some private keys (or shards thereof) to ensure independent control over their SCS.</p> <p>Further, the Participants suggest implementing requirements relating to the conduct of assurance audits, as well as requirements to ensure that auditors have real-time access to the status of these assets where possible.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>With respect to tokenised bank liabilities, the Participants express the view that these liabilities will already be well regulated under the Banking Act, as banking regulation contemplates systemically important operations.</p> <p>Therefore, introducing the potential to be regulated as a DPS may cause significant regulatory confusion for banks and compromise the clarity provided by applying the Banking Act to such liabilities.</p> <p>The Participants seek clarity on how DPS regulations would be applied to SCS arrangements that function on open infrastructures or public blockchain. The Participants suggested that it may provide further clarity if MAS were to reserve supervision rights/information gathering rights specific to SCS, subject to PS Act regulation.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>The Participants are supportive of the distinction between tokenised bank liabilities and other stablecoins in the MAS approach. The Participants note that these are different products in nature and encourage MAS to continue to pursue regulatory consistency between activities involving tokenised liabilities with existing bank regulation where possible, to prevent undue regulatory confusion and barriers to entry for banks.</p> <p>The Participants are of the view that if tokenised bank liabilities are treated as “deposits” under the Banking Act, the usual practice on interest income and accrual will apply. Relatedly, the Participants would also like to clarify whether MAS-regulated SCS backed by reserve assets would be allowed to transmit interest income to their holders on a customized frequency, where the interest income will be based on the nature of the underlying assets and returns.</p>
31	Respondent D	<p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p>



S/N	Respondent	Responses from respondent
		<p>With respect to bank-issued SCS, we would like to clarify the following:</p> <p>1. Applicability Basel and existing fractional banking requirements</p> <p>We note that MAS proposes that one alternative is that banks are not subject to additional prudential requirements when issuing SCS, given that banks already have to manage liabilities via existing risk-based capital measures (such as BASEL). Would this mean that banks could issue SCS that are not 100% backed, as long as the liabilities are met with sufficient capital as per the BASEL requirements?</p> <p>2. Applicability of SGD-denominated SCS (“SGD-SCS”) for Merchant Banks</p> <p>As per the Banking Act, there are restrictions prohibiting Merchant Banks from accepting or soliciting deposits and raising money in SGD (e.g. Section 55U). Can we clarify if Merchant Banks are able to accept or solicit SGD-SCS funds, since they are not deposits? Would Merchant Banks then be able to do the following (if agreed to by the other party as well):</p> <ul style="list-style-type: none"> a. Offer interest on SGD-SCS funds parked with the bank; b. Make loans with SGD-SCS funds in accordance with existing regulations; c. Raise money using SGD-SCS funds; and d. Settle other liabilities (e.g. “cash” settled derivatives) using SGD-SCS funds? <p>We would like to clarify the above as we want to ensure that there is a level playing field for banks and for the other PS Act licensees. Currently, there are also restrictions on other PS Act license holders from issuing / receiving deposits (e.g. E-Money issuing licensees), and with this proposal, such licensees will no longer be restricted from issuing or receiving SGD-SCS funds, subject to the prudential requirements.</p> <p>Thus, it would only be equitable for banks with similar restrictions (such as Merchant Banks) to be able to issue / receive SGD-SCS funds as well.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>For E-Money, MAS has allowed E-Money issues to safeguard the assets via an undertaking or guarantee given by a safeguarding institution (basically a bank). Will MAS similarly consider allowing the SCS to be backed by an undertaking or a guarantee by an equivalent safeguarding institution?</p>
32	Respondent E	<p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p>



S/N	Respondent	Responses from respondent
		<p>Currently, the activity of custodising / providing wallet services has been added to the PS (Amendment) Act 2021, but it has not been gazetted yet.</p> <p>Given that stablecoins will also need a wallet to store them in, will providing such a wallet or custodian service for stablecoins be considered incidental to the issuance of a stablecoin, or a separate activity like the custodian services / wallet services for other DPTs?</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p> <p>Coming from an end-user and consumer angle, for MAS-regulated SGD-denominated SCS (MAS-SGD-SCS), can MAS consider mandating interoperability across all MAS-SGD-SCS (e.g., similar to SGQR and Project Orchid) to allow users to have a more seamless experience, given that all MAS-SGD-SCS should be regulated equally and will carry equal risks.</p> <p>This will achieve a similar goal as the SGQR code and Project Orchid, which will help to promote adoption by the public since the users do not need to manage many different types of MAS-SGD-SCS (e.g., a merchant/user does not need to open a MAS-SGD-SCS account with all issuers, and issuers cannot create “walled gardens” that force users to use their brand of MAS-SGD-SCS).</p> <p>MAS can still work out the technical issues with the industry, such as how the liabilities of the MAS-SGD-SCS can be net off backend, or whether there will be an instant exchange or settlement like the way non-banks have access to FAST today (for e.g., a backend API call to trigger the liquidation option for MAS-SGD-SCS with the issuing entity).</p>
33	Respondent F	<p>Question 1. MAS seeks comments on the regulatory scope, particularly on whether the focus on SCS is adequate and whether there may be reasons for MAS to extend its regulatory powers to SCS issued outside of Singapore.</p> <p>In light of the borderless nature of stablecoins, the Participants seek clarity on how the term “issued in Singapore” should be interpreted. For example, would the term cover only stablecoins that are issued from a Singapore entity, or would it also cover stablecoins that are issued from outside Singapore but directed towards persons in Singapore (including being pegged to the Singapore dollar) (e.g., would factors such as whether such activity of the SCS has a substantial and reasonably foreseeable effect in Singapore, be considered). The Participants also suggest that the Authority review the most prominent SCS by usage and engage the relevant stakeholders to see if they would wish to be regulated in Singapore. This would provide added security to persons in Singapore that use such SCS.</p> <p>Question 2. MAS seeks comments on whether it is sufficient to introduce an additional regulated payment service of stablecoin issuance, and whether there is a need to introduce any other regulated services specific to stablecoins.</p>



S/N	Respondent	Responses from respondent
		<p>The Participants are supportive of this proposal but note that the choice to regulate only the issuance of stablecoins means that a lot of the value of being a regulated SCS-issuer and having a regulated SCS is negated when incidental/intermediary SCS activities are regulated instead as DPT services. The Participants suggest that in order for the Authority to achieve a progressive and value-added regulatory framework, incidental/intermediary SCS activities need to be carved out from regulation.</p> <p>Question 3. MAS seeks comments on whether the regulatory approach for bank and non-bank SCS issuers is appropriate and achieves an equivalent regulatory outcome for SCS issued in Singapore to be able to maintain a high degree of value stability of SCS.</p> <p>The Participants suggest that to achieve a high degree of value stability of SCS and an equivalent regulatory outcome for both bank and non-bank SCS issuers, SCS should not be issued as tokenised bank liabilities. SCS that is backed or collateralised by a pool of assets offers to consumers a protection that is based on the premise that there are sufficient reserve assets that are segregated from the issuer’s own assets to facilitate the redemption of the SCS, which in substance is different from SCS in the form of tokenised bank deposits issued by the traditional fractional reserve banks.</p> <p>For example, bank liabilities are not subject to the same level or scope of restrictions, with regards to reserve asset backing, as non-bank SCS issuers are under the new proposal. The Participants submit that having both non-bank issued SCS (with strict requirements as to reserve asset backing, and hence greater stability) and tokenised bank liabilities, both falling under the same “label” or asset class, notwithstanding that the two have different reserve asset requirements, would lead to unwanted consumer confusion.</p> <p>Question 4. MAS seeks comments on whether it is appropriate to have a single label for bank and non-bank issued SCS that MAS regulates. MAS also seeks views on the three options to label the SCS, and whether there are alternative terms that may be used to distinguish stablecoins that are regulated by MAS, from other types of stablecoins.</p> <p>The Participants wish to confirm that “any SCS issuer that wishes to be recognised as an issuer of MAS-regulated SCS may apply for an MPI licence and be subject to the additional requirements,” even if such SCS issuer does not (and will not in the coming years) meet the financial thresholds to be an MPI.</p> <p>If the above regulatory approach is accurate, the Participants seek clarity on whether such an approach is also the case for other regulated payment services (both existing and those being proposed) under the PS Act.</p> <p>The Participants suggest that the term “regulated stablecoin” or “MAS-regulated stablecoin” would be appropriate.</p> <p>Question 5. MAS seeks comments on whether the proposed reserve asset requirements are appropriate, and whether there may be unintended consequences that may affect the development of Singapore’s digital asset ecosystem.</p> <p>The Participants note that restricting the reserve assets of regulated SCS to Singapore</p>



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		<p>dollars or G10 currencies (due to considerations surrounding the availability of high-quality liquid assets) may not prohibit the issuance of SCS in non G10 currencies by entities that are based outside of Singapore. This could serve persons in Singapore, particularly in the ASEAN region where such SCS would be used to facilitate cross-border transactions. Therefore, the Participants suggest that there should not be restrictions placed on the currencies of SCS. Instead, the reserve assets could follow the key requirements set out in paragraph 4.13 with a variation of having the reserve assets denominated in Group of Ten currencies to ensure availability of high-quality liquid assets. Restricting SCS reserve assets to debt securities with no more than 3 months residual maturity also unduly limits the pool of available reserve assets (for example, Singapore T bills have a tenor of at least 6 months). The Participants suggest a distinction between credit risk (it is beneficial to only allow debt securities issued by the central bank or at least AA-credit-rated institutions), and liquidity risk (residual maturity of the debt securities). Liquidity risk is already addressed by the proposals under Question 6. The Participants suggest that there should be no restrictions on the residual maturity of debt securities for SCS reserve assets.</p> <p>Question 6. MAS seeks comments on whether the time period is reasonable, and whether there may be significant operational challenges or unintended consequences that MAS would need to consider in setting the redemption-related requirements.</p> <p>To accommodate SCS issued in multiple jurisdictions, the Participants suggest that the 5 business day redemption deadline should include public holidays of Singapore as well as the other jurisdiction where the SCS has been issued from.</p> <p>While the Participants are supportive that redemption requests are deemed as legitimate if the SCS holders can meet the SCS issuer’s onboarding requirements, further standards of what is deemed as onboarding rules, should be provided to prevent abuse of this prerequisite.</p> <p>Question 7. MAS seeks comments on whether the prudential requirements outlined in paragraph 4.21 are risk proportionate. MAS welcomes suggestions on alternative approaches to address the risks.</p> <p>In relation to the proposed restriction that “an SCS issuer is not allowed to undertake other activities that introduce additional risks to itself,” the Participants suggest that the scope of such a restriction should be set out clearly. The Participants further note that, where the SCS issuer is a shareholder or debtor to an entity that undertakes activities (e.g., loans, lending, staking of SCS, etc.), the risk exposure to the SCS issuer is limited to the equity position or the amount of debt extended or invested by the SCS issuer in such an entity. Therefore, imposing business restrictions to investment and extending loans to such investee companies do not necessarily add rigor to the financial and prudential standards to the SCS issuer; rather the Authority could place further emphasis that the reserve assets must not be used to finance any form of business activity of the SCS issuer. In addition, the Participants note that not all stablecoins may be issued from an entity that is operating as a business. There may be stablecoins that are issued from entities that only undertake such issuance. It may be difficult for such issuers to fulfil the proposed</p>



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		<p>requirements. Should the Authority not accept this point, the Participants note that the base capital requirements for an SCS issuer are disproportionately higher than an MPI e-money issuer, notwithstanding that the financial and prudential risks of an e-money issuer and SCS issuer are effectively similar. In the interest of consistency across different regulated payment services, the Participants suggest that the base capital requirements for an SCS issuer be the same as that for other payment services.</p> <p>Question 8 MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>In the interest of facilitating a level playing field, the Participants suggest that banks issuing tokenised bank liabilities should similarly be subject to the same redemption and disclosure requirements in accordance with the “same business, same risk, same rule” principle. The Participants would reiterate the point made in question 3 that SCS should not be issued as tokenised bank liabilities.</p> <p>If the Authority does not accept this suggestion, the Participants submit that, tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.</p> <p>Question 9. MAS seeks comments on whether there may be any proposed requirement that is not relevant for such bank-issued SCS, for example, if the risk may be addressed or mitigated in other manners.</p> <p>The Participants suggest that banked-issued SCS backed by reserve assets should be subject to the same rules as other SCS issuers so as not to create an unlevel playing field. A consistent approach would also be beneficial to provide simplicity and clarity to consumers in terms of MAS’ approach to all SCS, irrespective of the issuer.</p> <p>Question 10. MAS seeks comments on whether the scenario outlined in paragraph 4.22 is a likely development and whether the approaches outlined in paragraph 4.24 are feasible. MAS welcomes suggestions on other approaches to address this issue.</p> <p>The Participants are supportive of this proposal but note that the proposal in paragraph 4.24 may be difficult to meet, with the result that SCS issuers may simply choose the more practical route – to obtain a DPT services licence under the PS Act.</p> <p>The Participants are generally in concurrence with the suggestion for an independent attestation on the other significant issuers of the SCS (that the said issuers meet equivalent standards relating to reserve backing and prudential requirements). On this basis, the Participants propose that the requirements of having the reserve assets be held with licensed banks, merchant banks, finance companies or CMSLs, be expanded to overseas licensed banks or financial institutions, for reserves that are held with significant issuers of the SCS.</p> <p>Question 11. MAS seeks comments on whether there may be other specific activities related to SCS that are not caught as a regulated DPT service (including those under the Payment Services (Amendment) Act), and which MAS should regulate either as a new payment</p>



S/N	Respondent	Responses from respondent
		<p>service or by amending the scope of an existing payment service.</p> <p>As set out in Question 2, the Participants propose that incidental payment services (to the activities related to SCS) should be exempted or carved out from the scope of regulated DPT services. For example, the transmission (or arrangement for the transmission) of SCS, the safeguarding of SCS, carrying out on behalf of customers instructions relating to SCS, and exchanging one SCS for another SCS, should all not be considered DPT services.</p> <p>Question 12. MAS seeks comments on whether three business days is a reasonable timeline for DPT service providers to transmit SCS from a payer to payee.</p> <p>The Participants generally agree that 3 business days is a reasonable timeline but note that SCS should be transmitted more quickly in practice.</p> <p>Question 13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers’ SCS.</p> <p>While the Participants understand that segregation of assets is one of the fundamental pillars to mitigate the risk of misuse of customers’ assets, there may already be a slew of measures that could be required to be implemented pursuant to the Payment Services (Amendment) Act (that address the issues on comingling, safeguarding, insurance, and monitoring of digital assets). While further segregation of assets of MAS-regulated SCS from customers’ assets and own assets could (from a conceptual paradigm) provide perceived benefit in addition to the said measures, segregation of assets alone does not decisively deter misappropriation of assets in the absence of other controls. Hence, the Participants submit that the Authority’s proposal may not have a significant effect in mitigating the risk of misuse of customers’ SCS.</p> <p>Question 14. MAS seeks comments on whether to regulate and protect the smooth functioning of systemic stablecoin arrangements similar to other DPSs, by designating them under the PS Act and FNA. MAS also seeks comments on whether key entities of a systemic stablecoin arrangement should be subject to higher regulatory and supervisory standards to safeguard financial stability risk.</p> <p>The Participants submit that it is inappropriate for stablecoins running on decentralised, public blockchains to be designated as DPS. Although SCS issuers are the entities managing the issuance/redemption of SCS, it is ultimately the blockchain nodes that are responsible for coordinating the operation of SCS on a decentralised, public blockchain. There is no single node or coordinator of a public blockchain that is an appropriate target for regulation as DPS. It is also not appropriate to hold SCS issuers responsible for service availability of SCS running on a blockchain, as the uptime of a blockchain network is out of the SCS issuer’s control.</p> <p>Question 15. MAS seeks any other comments relating to MAS’ regulatory approach towards stablecoins and stablecoin-related activities, including any implementation issues that MAS should consider.</p>



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		<p>The Participants seek clarity on whether the Authority will allow multiple entities (in the same country) issuing the same SCS (in the same country), to fall within the proposed regime.</p> <p>The Participants note that the Authority views e-money different from SCS, primarily due to reasons that the e-money takes on a tokenised form and can be transferred on a peer-to-peer basis without going through the issuer. In terms of safeguarding of customers' assets as well as mechanism that upholds the stability of the e-money or SCS' value against the underlying assets, an existing payment service provider that is licensed under the Payment Services Act for e-money issuance service will likely already have the existing requisite capability to ensure compliance. Following from this, the Participants propose that an existing e-money issuer that intends to transit to obtaining an additional regulated payment service of "Stablecoin Issuance Service" be seen as having the prerequisite track record and capability, with its submission to add "Stablecoin Issuance Service" to its existing payment service licence.</p>