MAS CHARTS A NEW COURSE FOR STABLECOINS: WHAT THE LATEST CONSULTATION MEANS FOR THE INDUSTRY

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The Monetary Authority of Singapore (MAS) recently released a consultation paper that, at first glance, looks like another round of crypto regulation. Close scrutiny suggests that it is the Singapore regulator's deliberate move towards giving the word "stablecoin" real legal meaning.

Presently, anyone issuing a stablecoin in Singapore is generally lumped together with other digital payment token providers, regardless of how well — or poorly — backed their coin actually is. MAS' concern is that "stablecoin" has become a loose, sometimes misleading label, spanning everything from fully reserve-backed tokens to partially backed or algorithmic ones. When one of the weaker coins fails, the fallout can be real — as seen in November 2025, when Stream Finance's xUSD collapsed from $1 to as low as $0.24 after an outside fund manager disclosed a US$93 million loss, freezing withdrawals and affecting roughly US$160 million in user deposits.

MAS' answer is to create a genuine "quality mark" — the MAS-regulated stablecoin — backed by a new licensing framework with the following characteristics.

A dedicated licence. The centrepiece of the proposal is a new Stablecoin Issuance Licence, sitting alongside existing categories such as the Major Payment Institution Licence. Stablecoin issuance would no longer be an afterthought within the broader crypto regime, but a regulated activity in its own right.

Focused business models. Issuers holding this licence would be kept on a short leash, in a manner similar to banking regulation — permitted to issue their regulated stablecoin and closely related activities, but generally barred from banking, capital markets activities, or issuing other unregulated tokens. This is perhaps due to having observed current market practice over the past five years, where applicants have sought a Payment Services Act licence for the "menu" of regulated activities it offers, with a view to subsequently layering on crypto-related complexity over time.

Payments, not investments. MAS-regulated stablecoins could not pay interest or yield. The message is clear: these tokens are meant to function as a means of payment, not a substitute for a savings account or investment product.

Real backing, real redemption. Issuers would need reserves worth at least 100% of coins in circulation, properly segregated, with a legally enforceable right for holders to redeem at par within a set timeframe — much like Circle's USDC or StraitsX's Singapore-dollar-pegged XSGD already aim to do.

Watching for systemic risk. For stablecoins that grow large enough to matter to financial stability, MAS proposes a "Designated Systemic Stablecoin" status, unlocking powers such as additional capital and liquidity requirements, recovery planning, and enhanced reporting — echoing MAS's existing treatment of systemically important payment systems.

Room for foreign issuers. This marks a notable change of direction. In 2023, MAS took the position that qualifying stablecoins had to be issued solely in Singapore, reflecting concerns about verifying reserves and equivalent oversight across borders. MAS now proposes a recognition pathway for foreign stablecoins regulated to equivalent standards, subject to supervisory cooperation arrangements.

The key takeaway. MAS is signalling support for properly regulated stablecoins as payment infrastructure — but only for a select few that meet standards approaching those of traditional financial institutions. For businesses considering stablecoin issuance in Singapore — cross-border remittance providers, corporate treasury and B2B settlement platforms among them — this consultation offers a credible regulatory badge, at the cost of a considerably more demanding compliance framework.

CNPLaw is advising clients on the interaction between these proposals and the existing Payment Services Act regime. If you are assessing whether your token structure could qualify as an MAS-regulated stablecoin, or exploring how to position a foreign-issued stablecoin for recognition, we would be pleased to discuss how these requirements can be navigated in practice. Please contact Aaron Lee at alee@cnplaw.com.

Link to the MAS Consultation Paper issued 1 September 2026 (deadline is 16 October 2026)

https://www.mas.gov.sg/news/media-releases/2026/mas-consults-on-legislative-amendments-to-implement-stablecoin-regulatory-framework