MAS FINALISES STABLECOIN REGULATORY FRAMEWORK

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On 15 August 2023, the Monetary Authority of Singapore ("**MAS**") introduced a new regulatory framework for stablecoins, which by definition and for present purposes are digital payment tokens designed to maintain a constant value against (amongst other things) one or more specified fiat currencies. The framework, developed based on feedback from a MAS public consultation in 2022, aims to ensure the stability of stablecoins regulated in Singapore. Please refer to our previous article (here) for a background on MAS' public consultation in 2022.

The new regulatory framework applies specifically to single-currency stablecoins ("**SCS**") pegged to the Singapore Dollar or G10 currencies, that are issued in Singapore.

The key requirements of the new regulatory framework include:

- Value Stability: SCS reserve assets must meet strict requirements regarding their composition, valuation, custody, and audit to ensure a high degree of value stability.
- Capital: Issuers of SCS must maintain a minimum base capital and liquid assets to reduce the risk of insolvency and facilitate an orderly wind-down of their business if necessary.
- Redemption at Par: Issuers must promptly return the par value of SCS to holders within five business days upon a redemption request.
- Disclosure: Issuers must provide comprehensive disclosures to users, including information about the stablecoin's value-stabilising mechanism, the rights of SCS holders, and audit results of reserve assets.

Stablecoin issuers that meet these requirements can apply to MAS for recognition and labelling as "MAS-regulated stablecoins", with such label allowing potential purchasers to more easily distinguish these stablecoins from others not subject to MAS' regulatory framework. Misrepresenting a token as a "MAS-regulated stablecoin" may result in penalties and inclusion on MAS' Investor Alert List.

MAS has emphasised that the new regulatory framework "aims to facilitate the use of stablecoins as a credible digital medium of exchange, and as a bridge between the fiat and digital asset ecosystems". Issuers who wish to have their stablecoins recognised as "MAS-regulated stablecoins" under the new regulatory framework are encouraged to prepare for compliance with the new regulatory framework.

For more information on the finalised stablecoin regulatory framework and MAS' response to the public consultation, interested parties may visit the following websites:

- MAS Finalises Stablecoin Regulatory Framework – https://www.mas.gov.sg/news/media-releases/2023/mas-finalises-stablecoin-regulatory-framework
- MAS Consultation Paper on Proposed Regulatory Approach for Stablecoin-Related Activities – https://www.mas.gov.sg/publications/consultations/2022/consultation-paper-on-proposed-regul

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Moving forward, we at CNPLaw LLP stand ready to provide comprehensive legal advice and efficient assistance on legal issues relating to blockchain projects, cryptocurrency-based commercial businesses and philanthropic enterprises and digital token offerings in Singapore. Should you have any queries, please do not hesitate to reach out to us and we would be glad to assist.

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