STRATEGIC IMPLICATIONS OF MAS CONSULTATION P009 2026: PUBLIC BLOCKCHAINS ENTER THE PRUDENTIAL PERIMETER

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1. **Executive Summary**

The Monetary Authority of Singapore (MAS) has issued a significant consultation paper (P009-2026) on the prudential treatment of cryptoassets. In a notable shift, MAS proposes that certain cryptoassets on permissionless (public) blockchains may qualify as Group 1 assets, provided their risks are adequately controlled.

For banks and financial institutions, this marks a move away from a de facto exclusion of public-chain exposures towards a risk-managed, compliance-driven framework—with meaningful implications for capital treatment, balance-sheet strategy and institutional participation in tokenised markets.

2. **Regulatory Pivot: From Infrastructure Type to Risk Mitigation**

MAS is moving away from a rigid preference for permissioned or "closed-loop" systems. Instead, the focus is on whether the risks of permissionless blockchains can be mitigated through governance, legal and technological controls.

- **For banking clients:**
  MAS introduces practical **"**Deeming Provisions" (Annex D). Where a bank applies defined safeguards—such as trusted validation arrangements ("trust anchors") and restricted or whitelisted smart contracts—it may be deemed to satisfy the requirements for Group 1 classification. This is significant, as it avoids the punitive 1250% risk weight applied to Group 2 cryptoasset exposures.
- **For asset managers and sponsors:**
  If banks can hold certain public-chain assets on favourable capital terms, institutional demand is likely to increase. This is particularly relevant for tokenised alternatives—such as private credit, funds, or real estate—issued or settled on public blockchains.

3. **Key Legal and Operational Constraints**

The MAS consultation paper is constructive but not permissive. Several constraints will require careful legal and operational design:

- **Exposure and issuance caps:**
  During the transition period, locally incorporated banks will generally be subject to a 2% Tier 1 capital cap on permissionless Group 1 exposures.
- **Operational integrity:**
  Banks must demonstrate meaningful control over risks specific to public blockchains, including probabilistic settlement finality and "51% attack" scenarios. This will necessitate detailed legal and technical due diligence on the underlying protocol.
- **Liability and accountability:**

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Allocating legal responsibility for failures or disruptions in decentralised infrastructure remains a central challenge. Contractual frameworks, governance rights and fallback arrangements will be closely scrutinised.

4. **Implications for Tokenised and Alternative Investments**

If implemented as proposed, the MAS framework materially improves the viability of public-chain structures for institutional use. Potential outcomes include:

- Wider, more standardised distribution of tokenised funds to regulated institutions.
- Improved secondary-market liquidity through interoperable public-chain infrastructure.
- More efficient use of tokenised assets as collateral within regulated balance sheets.

5. **Conclusion**

MAS' shift towards a risk-sensitive, technology-neutral prudential framework is a welcome development. That said, reliance on the deeming provisions will require precise legal, technical and governance alignment to ensure capital treatment is preserved over time.

CNPLaw is advising clients on the interaction between these proposed standards and existing regimes, including the Payment Services Act. If you are assessing the balance-sheet impact of the proposed caps, or exploring how to structure a tokenised offering that can meet Group 1 eligibility, we would be pleased to discuss how these requirements can be navigated in practice.

Link to the MAS Consultation Paper:

https://www.mas.gov.sg/-/media/mas-media-library/publications/consultations/ppd/2026/consultation-on-the-prudential-treatment-of-cryptoassets-on-permissionless-blockchains.pdf

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