

MAS Publishes Consultation Paper on Proposed Amendments to the Payment Services Act 2019 for Stablecoin Regulation

On 1 September 2026, the Monetary Authority of Singapore ("MAS") published the Consultation Paper on Proposed Amendments to the Payment Services Act 2019 ("PSA") for Stablecoins Regulation (the "Consultation Paper"). The Consultation Paper sets out proposed legislative amendments to the PSA to introduce the regulatory framework for stablecoins in Singapore and proposes further requirements that account for stablecoin developments since 2023, which was when MAS announced its finalised regulatory approach towards stablecoins.

The Consultation Paper marks a significant milestone in the development of Singapore's digital assets regulation regime. Prospective stablecoin issuers, digital payment token service providers, and other intermediaries in the digital assets space should assess the relevant proposals against their business models and future business plans. This Client Update serves to highlight the key features of the proposed amendments and practical implications for interested parties.

Introduction

By way of background, MAS first published a consultation paper on 26 October 2022 that proposed an overall framework for stablecoin-related issuance and intermediation activities. On 15 August 2023, MAS published its consultation response, which sets out the finalised regulatory approach for MAS-regulated single currency stablecoins ("**SCS**") in Singapore ("**MAS-SCS framework**"). Our client update on MAS' 15 August 2023 consultation response can be obtained [here](#).

Under the MAS-SCS framework, MAS indicated that it would introduce into the PSA a new licensable payment service, "stablecoin issuance service", applicable to SCS issued in Singapore and pegged to the Singapore dollar or a Group of 10 currency. Issuers licensed under the framework ("**MAS-regulated stablecoin issuers**") may label their SCS as "MAS-regulated stablecoins", helping consumers and businesses distinguish stablecoins regulated by MAS for value stability from those that are not.

Against this backdrop, the Consultation Paper sets out proposed amendments to the PSA to implement the MAS-SCS framework, and raises further proposals that reflect developments in technology, the regulatory landscape, and best practices across jurisdictions since 2023.

Summary of key legislative amendments to the PSA

MAS proposes several key amendments to the PSA which are intended to give effect to the MAS-SCS framework and to provide greater legal clarity on its scope.

Definition of stablecoin and other defined terms

MAS proposes to amend:

- The PSA to introduce new definitions for terms such as "stablecoin" and "MAS-regulated stablecoin";

- The definition of “digital payment token” (“**DPT**”) under the PSA to make clear that stablecoins are DPTs. This aligns with MAS’ current policy position to treat stablecoins as a subset of DPTs, and stablecoins regulated under the MAS-SCS framework will not fall within the definition of other financial instruments under the PSA or other legislation; and
- The definition of “e-money” under the PSA to more clearly distinguish between “e-money” and “stablecoin” and clarify that fiat-pegged stablecoins do not constitute e-money under the PSA.

Licensing for persons who hold themselves out as issuing MAS-regulated stablecoins

MAS proposes to introduce a new licence class of “stablecoin issuance”. Persons granted a licence for MAS-regulated stablecoin issuance may hold themselves out as an issuer of an MAS-regulated stablecoin, and those without this licence will be prohibited from doing so.

MAS also clarified that the issuance of an MAS-regulated stablecoin will include incidental activities, such as the act of minting, putting into circulation MAS-regulated stablecoins, managing the reserve assets and redeeming the MAS-regulated stablecoins at par, as well as other activities incidental to the issuance as prescribed by MAS.

Regulatory requirements for issuers of MAS-regulated stablecoin

MAS also proposes key requirements that an applicant must satisfy before a stablecoin issuance licence may be granted, as well as ongoing obligations that a stablecoin issuance licence holder must comply with.

The core obligations applicable to an issuer of MAS-regulated stablecoins include:

- to maintain reserve assets at least equal to the par value of all MAS-regulated stablecoins in circulation;
- to fulfil redemption requests in the pegged currency within MAS-prescribed timeframes;
- to safeguard customers’ funds until MAS-regulated stablecoins are delivered; and
- to comply with existing ongoing AML/CFT, technology risk, consumer protection and other requirements applicable to licensees under the PSA.

Notably, to mitigate potential contagion risk to the stablecoin issuance activity, issuers will not be allowed to conduct other regulated activities beyond the issuance of MAS-regulated stablecoins (e.g., issue non-MAS-regulated stablecoins, providing other payment services, capital markets services or banking business). However, issuers will be allowed to provide DPT services in respect of their issued MAS-regulated stablecoins where it is incidental to the MAS-regulated stablecoin business, and will not require a separate licence to do so.

Additional requirements for issuance of MAS-regulated stablecoin

MAS has identified several areas of enhancement to the MAS-SCS framework, including:

- **Prohibition of interest to be paid on MAS-regulated stablecoins.** Issuers of MAS-regulated stablecoins will be prohibited from paying interest, returns or other benefits on MAS-regulated stablecoins. This prohibition is intended to clearly distinguish MAS-regulated stablecoins as payment instruments, rather than as investment or savings products;
- **Prohibition on use of money received in exchange for MAS-regulated stablecoin issued and interest earned from such monies.** The intent of this prohibition is to distinguish payment institutions issuing “money-like” payment instruments from deposit-taking institutions like banks and finance companies. That said, MAS has acknowledged that some stablecoin-issuance business models rely on the returns earned on the reserve asset pool to finance their business activities and defray operational costs. Hence, it is seeking

public feedback on whether this prohibition is required and how restrictions on stablecoin issuers' use of customer monies and the interest earned on such monies should be calibrated; and

- **Potential requirement for minimum proportion of reserve assets to be held in cash/deposits.** MAS is considering a potential requirement for a minimum proportion of reserve assets to be held in cash / bank deposits to enhance value stability, and manage unforeseen peaks in redemptions under stress scenarios. It noted that other jurisdictions, such as the UK and EU, require or will require specified minimum proportions of bank deposits ranging from 5% to 30% for non-systemic stablecoins, and 40% to 60% for systemic stablecoins, and seeks public feedback on potential thresholds while it studies this issue.

Additional consumer protection requirements

MAS proposes several requirements aimed at strengthening consumer protection in the stablecoins ecosystem. These include:

- **Requirement for issuers of MAS-regulated stablecoin to safeguard monies received prior to issuance of stablecoins.** MAS proposes to require an issuer of MAS-regulated stablecoin who receives any money intended for the purchase of MAS-regulated stablecoin to safeguard these monies immediately, until the intended stablecoin holder receives the MAS-regulated stablecoin.
- **Requirements for issuers of MAS-regulated stablecoin with revoked, lapsed, or surrendered licences to cease all stablecoin issuance activities.** MAS proposes that any issuer of MAS-regulated stablecoin exiting the MAS-SCS framework be disallowed from conducting all issuance business, including that relating to non-MAS-regulated stablecoins, even if the issuer subsequently obtains a DPT service licence. Alternatively, MAS proposes requiring issuers with revoked, lapsed or surrendered licences to wind down their business and/or wind up their entity.
- **Powers for MAS to require issuers of MAS-regulated stablecoin with revoked, lapsed, or surrendered licences (including those undergoing winding up) to support orderly redemption of MAS-regulated stablecoins prior to winding up its business.** MAS expects stablecoin issuers to support orderly redemption of MAS-regulated stablecoins prior to winding up their business of issuing MAS-regulated stablecoin. MAS-regulated stablecoin issuers should not dispose of reserve assets for purposes other than fulfilling redemptions, until MAS is reasonably satisfied that there are no outstanding redemption requests from holders of MAS-regulated stablecoins.

Additional risk management requirements

Noting that stablecoin issuers should have effective risk management frameworks in place that comprehensively address all material risks associated with their functions and activities, such as operational risks (including fraud and cyber risks), compliance risk (including money laundering/terrorist financing risks), and financial stability risks, MAS also proposes several risk management requirements. These include:

- **Stress testing requirements and powers for MAS to impose additional liquidity and risk-based capital requirements.**
- **Requirements for issuers of MAS-regulated stablecoins to have in place plans for recovery and orderly wind-down of business.** In order to minimise market disruption, consumer harm and spillover effects to the financial system, stablecoin issuers will be required to set out structured steps for recovery and orderly wind-down as part of their risk management frameworks.
- **Requirements for issuers of MAS-regulated stablecoins to have the technical capability to trace, freeze and/or burn issued stablecoins.** These requirements are paramount given the pseudonymous nature of stablecoin transactions which may create vulnerabilities that can be exploited for illicit activities. Specific requirements on this will be set out by way of a Notice subsequently.

Framework for designated systemic stablecoins

To complement the MAS-SCS framework, MAS proposes to introduce powers to designate a stablecoin as a “designated systemic stablecoin”. Issuers of such stablecoins would need to meet requirements similar to those under the MAS-SCS framework, failing which MAS may restrict their circulation in Singapore.

In considering whether to designate a stablecoin as systemic, MAS will take into consideration a combination of factors, including, but not limited to:

- size of the stablecoin in circulation;
- interconnectedness with payment systems in Singapore;
- interconnectedness with the broader financial system in Singapore; and
- substitutability of the stablecoin.

The framework for designated systemic stablecoins will sit in a new Part 2A of the PSA, under which MAS would have powers to designate a stablecoin as systemic where necessary to prevent systemic risk or events of systemic disruption to Singapore’s financial system or where otherwise in the interest of the public.

MAS will also impose requirements on issuers of a designated systemic stablecoin. MAS will have the power to prescribe detailed requirements by way of regulations, and to impose additional requirements or audit obligations on systemic stablecoin issuers by written notice. This will include key requirements of the MAS-SCS framework, particularly in relation to reserve assets (composition, valuation, segregation and custody, independent attestation and audit), redemption requirements for direct legal claim at par, prudential requirements (base capital, solvency), and requirements for white paper issuance.

As systemic stablecoins have been identified as having the potential to disrupt the broader financial system, MAS expects issuers of systemic stablecoins to have in place a recovery plan to identify actions to be taken to restore their financial position and viability under situations of extreme but plausible stress. Where a designated systemic stablecoin issuer in Singapore is assessed to be failing or likely to fail, and resolution is necessary in the public interest to maintain financial stability, MAS can require it to undergo resolution. Amendments will also be made to Part 5 of the PSA to extend MAS’ existing emergency powers to issuers of designated systemic stablecoins.

Where the issuer fails to meet MAS’ requirements, MAS would also be empowered to prohibit or restrict the circulation of a non-compliant designated systemic stablecoin in Singapore. In this regard, MAS may prohibit licensed DPT service providers in Singapore from circulating such stablecoins, or direct them to cease offering such stablecoins or to delist them from their platforms.

Regulatory approach for stablecoins issued offshore

Multi-jurisdictional issuance of stablecoins

In light of developments since 2023, MAS is now prepared to regulate stablecoins issued under a multi-jurisdictional issuance (“**MJI**”) arrangement, where related or affiliated entities in different jurisdictions issue the same fungible stablecoin. MAS therefore proposes to allow stablecoins to be issued concurrently from Singapore and one or more foreign jurisdictions and held out as “MAS-regulated stablecoins”, provided there is assurance that the associated risks are sufficiently regulated.

For an MJI stablecoin to be regulated under the MAS-SCS framework, the Singapore-incorporated issuer will be required to apply for a stablecoin issuance licence under the MAS-SCS framework and comply with the regulatory requirements under the framework, except for the requirement for any issuer of an MAS-regulated stablecoin to be incorporated in Singapore, and for the MAS-regulated issuer to hold reserve assets with a value equal to or exceeding the value of stablecoins in circulation.

MAS will be given powers under the PSA to grant exemptions from these requirements under the MAS-SCS framework on a case-by-case basis, subject to conditions to ensure that safeguards are in place to maintain value stability of the MAS-regulated stablecoin, and to address the unique risks arising from an MJJ arrangement.

In determining whether to grant an exemption to an MJJ stablecoin under the MAS-SCS framework, MAS will consider:

- the status of the foreign issuer and its regulatory regime;
- reserve asset requirements; and
- comparable terms of issuance and redemption.

MAS intends to impose requirements for issuers to implement plans for recovery and orderly winding up. MAS is also seeking feedback on whether it is necessary to require issuers which exit the MAS-SCS framework, but which continue maintaining a stablecoin issuance business in other jurisdictions, to wind up their formerly MAS-regulated entity. While the intention behind this is to prevent public confusion that their stablecoin is still MAS-regulated, MAS noted that a mandatory wind-up requirement may not be feasible and is thus seeking feedback on whether additional or alternative measures could effectively address the concern.

To preserve the high degree of value stability of MAS-regulated stablecoins in an MJJ arrangement, MAS has proposed the following safeguards:

- **Foreign issuers of an MAS-regulated stablecoin must be supervised under a stablecoin regulatory regime that MAS deems to be substantially equivalent to the MAS-SCS framework.** One key factor would be whether there is a bilateral agreement between MAS and the foreign supervisory authority to facilitate information sharing and supervisory cooperation over the relevant entities.
- **The composition of reserve assets held by all issuing entities must meet the stricter of the requirements under either the MAS-SCS framework or the foreign regulatory regime.** The amount of reserve assets held by the Singapore issuer must be risk-proportionate and the issuer must demonstrate to MAS that it is able to mitigate the risks of reserve assets being held across different jurisdictions.
- **The rights of all SCS holders (e.g., redemption fees and timelines) should be comparable across all issuing entities, and the stricter of the regulatory requirements across the different jurisdictions should be adhered to.**

Recognition for foreign-regulated stablecoins

MAS also proposes to recognise, on a case-by-case basis, a limited number of stablecoins issued by issuers regulated under competent authorities and regulatory frameworks assessed to be substantively equivalent to the MAS-SCS framework. The conditions for recognition will be set out in subsidiary legislation.

Further clarifications on regulatory approach to stablecoins

Regulatory treatment of non-MAS-regulated stablecoins

MAS reiterated its stance that while stablecoins may be used for payments, they should not be used by the public as investment products or for generation of yield.

Accordingly, MAS is considering imposing requirements on licensed DPT service providers offering non-MAS-regulated “stablecoins” to their customers, including:

- requiring licensed DPT service providers to provide enhanced disclosures to retail customers on the reserve assets backing such tokens;
- requiring licensed DPT service providers to provide clear risk warnings to retail customers that these DPTs are not regulated by MAS for value stability and that such tokens may not maintain their promised values; and

- restricting licensed DPT service providers from marketing such tokens to their retail customers using “stablecoin”.

Regulatory approach for banks

MAS proposes that banks and merchant banks wishing to issue MAS-regulated stablecoins be required to do so through a separate non-bank legal entity. MAS explained that this structure will limit contagion risk to the bank arising from stablecoin issuance activities and provide greater certainty that the reserve asset segregation requirement under the MAS-SCS framework will be met. Further, this structure will allow the parent bank to continue to manage the receipt of cash deposits in accordance with its custody practice while MAS-regulated SCS holders’ interest will continue to be protected through the segregation requirements at the issuing entity level.

MAS also reiterated that the restrictions which limit the conduct of SGD deposit-taking activities that apply to wholesale banks and merchant banks similarly apply to persons who may purchase, hold or otherwise access SCS issued by these banks or any related entity through which they issue SGD SCS, whether such persons acquired their stablecoins directly or in the secondary market. Such entities would therefore be effectively prohibited from issuing SGD SCS that can be freely traded by retail individuals, although stablecoins supporting wholesale use cases, such as trade finance, remain possible.

Conclusion

The proposed amendments build on the evolving state of stablecoin regulation internationally, while giving statutory effect to the MAS-SCS framework that was finalised in 2023.

This 3-year gap is indicative that MAS has been steadily and diligently monitoring best practices in other jurisdictions – this should not come as a surprise given the rapid developments in stablecoin regulation in the United States, the European Union, the United Kingdom, and Hong Kong during the same period.

Looking ahead, MAS will also be consulting on the accompanying subsidiary legislation subsequently, which will be another welcome update.

The Consultation Paper marks a pivotal moment as Singapore progresses one step closer to a fully operational stablecoin regime. Industry players involved in the issuance, distribution, or use of stablecoins ought to watch this space closely. Those who prepare early will be best placed when the contours of Singapore’s stablecoin regime move from consultation into law.

A copy of the Consultation Paper can be obtained [here](#).

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