

Monetary Authority of Singapore (MAS)
10 Shenton Way
MAS Building
Singapore 079117

21 December 2022

Proposed Regulatory Approach for Stablecoin Related Activities: P009 - 2022

Dear Sir/Madam,

Binance understands the responsibility we, and every other major platform, have in collaborating with policymakers and regulators to contribute to the development of a regulatory framework with consumer protection and market integrity at its heart.

We hope you find our response to the consultation helpful. We are keen to continue the discussion on this important issue, and look forward to discussing our response in further detail.

Thank you for taking the time to engage with us.

Yours faithfully,
Binance.

Responses as submitted via on-line link:

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.

Binance has provided comments to specific questions. More generally, we would observe:

- 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.
- 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.
- 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.

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.

Binance is supportive of the introduction of an additional regulated payment service of stablecoin issuance.

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.

Binance is supportive of the proposed approach by the MAS.

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.(optional)

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.

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.(optional)

Binance is supportive of the proposed reserve asset requirements.

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.(optional)

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.

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.(optional)

Binance is supportive of the prudential requirements outlined in paragraph 4.21.

8. MAS seeks comments on whether banks issuing tokenised bank liabilities should similarly be subject to the aforesaid redemption and disclosure requirements.(optional)

No comment.

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.(optional)

No comment.

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.(optional)

As per Q1, we would observe:

- 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.
- 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.

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.(optional)

No comment.

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.(optional)

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.

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.

13. MAS seeks comments on whether this measure is appropriate to mitigate the risk of misuse of customers' SCS.(optional)

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.

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.(optional)

No comment.

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.(optional)

No comment.

19. Have you already issued, or do you have plans to issue SCS in Singapore?

Any decision by Binance will take into account the outcome of current policy consultations.