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Consultation Paper on the Prudential Treatment of Cryptoassets on Permissionless Blockchains (P009-2026)

1 Introduction

The Asia Securities Industry & Financial Markets Association ("**ASIFMA**") [1] and the International Swaps and Derivatives Association, Inc. ("**ISDA**")[2] (collectively, "**Associations**", "**we**" or "**our**") on behalf of our members, welcome this opportunity to comment on the *Consultation Paper on the Prudential Treatment of Cryptoassets on Permissionless Blockchains (P009-2026)* published by the Monetary Authority of Singapore ("**MAS**") on 17 April 2026 ("**April 2026 Consultation Paper**") and the proposals therein ("**Proposals**").

The Proposals follow from industry feedback received on MAS's previous *Consultation Paper on the Prudential Treatment of Cryptoasset Exposures and Requirements for Additional Tier 1 and Tier 2 Capital Instruments for Banks (P003-2025)* published on 27 March 2025 ("**March 2025 Consultation**"), and are issued in connection with Singapore's implementation of the standards issued by the Basel Committee on Banking Supervision ("**Basel Committee**") entitled '*Prudential treatment of cryptoasset exposures*' and '*Disclosure of cryptoasset exposures*' (collectively, "**Basel Cryptoasset Standards**").

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[1] ASIFMA is an independent, regional trade association comprising a diverse range of over 140 leading financial institutions from both the buy and sell side, including banks, asset managers, professional services firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, competitive and efficient Asian capital markets that are necessary to support the region's economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

[2] Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 79 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on LinkedIn and YouTube.

The Associations and their members wish to begin by expressing our appreciation for MAS's leadership in developing a forward-looking prudential regulatory framework for cryptoassets in Singapore. We appreciate MAS's general recognition that, while permissionless blockchains may present certain risks, it is possible for banks to demonstrate that these risks may be effectively mitigated through appropriate measures. Specifically, the April 2026 Consultation Paper's clarification that the mere use of a permissionless blockchain does not automatically rule out a tokenised asset or stablecoin from being classified as a Group 1 cryptoasset (which receives more favourable regulatory capital and prudential treatment under the Basel Cryptoasset Standards than a Group 2 cryptoasset) – as long as certain risk-mitigating measures are in place – is a positive first step towards greater technology neutrality in the implementation of the Basel Cryptoasset Standards in Singapore.

With the publication of the April 2026 Consultation Paper, we believe MAS has taken an encouraging step in the right direction to strengthen Singapore's leadership in digital asset markets. We are encouraged by the fact that MAS's approach in the Proposals: (i) contemplates the core propositions set out in the global industry associations' joint report entitled '*The Impact of Distributed Ledger Technology in Capital Markets: Ready for Adoption, Time to Act*' ("**Industry DLT Report**");[3] and (ii) takes into account some of the recommendations made in ASIFMA's earlier written submissions to MAS and other global regulators.[4]

In Singapore, MAS has made significant progress within a short period of time to establish a comprehensive legal and regulatory framework for cryptoassets that covers, among other things, tokenised bonds,[5] funds[6] and stablecoins[7]. We encourage MAS to continue to focus on principles-based

[3] The Industry DLT Report was jointly developed by the following global industry associations: Global Financial Markets Association ("**GFMA**"), Securities Industry and Financial Markets Association ("**SIFMA**"), Association for Financial Markets in Europe ("**AFME**"), ASIFMA, ISDA, Futures Industry Association ("**FIA**"), Institute of International Finance ("**IIF**"), Global Blockchain Council ("**GBBC**"), Global Digital Finance ("**GDF**"), Financial Services Forum ("**FSF**") and Bank Policy Institute ("**BPI**"), and is available at: https://www.asifma.org/wp-content/uploads/2025/09/full-report-dlt-report-final3.pdf.

[4] *See e.g.*, ASIFMA's written submission to MAS dated 28 April 2025 regarding the March 2025 Consultation, available at: https://www.asifma.org/wp-content/uploads/2025/05/20250428-asifma-final-submission-mas-consultation-on-the-prudential-treatment-of-cryptoasset-exposures-p003-2025.pdf ("**April 2025 ASIFMA MAS Submission**"); ASIFMA's written submission to the Hong Kong Monetary Authority ("**HKMA**") dated 6 May 2024 regarding the HKMA's February 2024 Consultation Paper (CP 24.01) on implementing the Basel Cryptoasset Standards in Hong Kong, available at: https://www.asifma.org/wp-content/uploads/2024/05/20240506-asifma-reponse-to-hkma-consultation-prudential-treatment-of-cryptoasset-exposures-final-submission.pdf; ASIFMA's written submission to the HKMA dated 20 February 2025 on proposals to implement the Basel Cryptoasset Standards in Hong Kong, available at: https://www.asifma.org/wp-content/uploads/2025/05/hkma-cryptoasset-capital-proposal-asifma-response-feb-2025-f.pdf; and ASIFMA's written submission to the HKMA dated 10 October 2025 on the proposed new SPM module CRP-1 on the classification of cryptoassets in Hong Kong, available at: https://www.asifma.org/wp-content/uploads/2025/10/asifma-submission-hkma-crp-1-cryptoasset-classification-f-1.pdf ("**October 2025 ASIFMA HKMA Submission**").

[5] *See e.g.*, *Guardian Fixed Income Framework*, available at: https://www.mas.gov.sg/publications/monographs-or-information-paper/2024/guardian-fixed-income-framework.

[6] *See e.g.*, *Guardian Funds Framework*, available at: https://www.mas.gov.sg/publications/monographs-or-information-paper/2024/guardian-funds-framework.

[7] *See e.g.*, MAS, *MAS Finalises Stablecoin Regulatory Framework* (15 August 2023), available at: https://www.mas.gov.sg/news/media-releases/2023/mas-finalises-stablecoin-regulatory-framework.

frameworks that support the international competitiveness of Singapore banks in the digital assets space and Singapore's goal to become a global digital assets hub.

This letter contains thematic comments and recommendations (**Section 3**), specific responses to MAS' consultation questions set out in Annex A of the April 2026 Consultation Paper ("**Consultation Questions**") (**Section 4**) and other specific comments and recommendations on the Proposals and MAS' implementation, interpretation, and application of the Basel Cryptoasset Standards in Singapore (**Section 5**). An executive summary of our thematic comments and recommendations, specific responses to the Consultation Questions and other specific comments and recommendations on the Proposals and MAS' implementation, interpretation, and application of the Basel Cryptoasset Standards in Singapore is set out immediately below in **Section 2**.

We are grateful to Andrew Fei and Horace Cheng at King & Wood for their support in preparing this letter based on input from our members.

2 Executive summary

Thematic comments: We encourage MAS to continue to take into account the following themes when it is: (i) formulating policies (in its capacity as a key member of the Basel Committee) regarding the prudential treatment of banks' cryptoasset exposures; and (ii) implementing and interpreting (in its capacity as Singapore's prudential regulator) the Basel Cryptoasset Standards in Singapore:

(a) **"Same activity, same risk, same regulation" and "technology neutrality":** The prudential regulation of cryptoassets should follow the overarching principles of "same activity, same risk, same regulation" and being "technology neutral". In this regard, we believe the Proposals' general recognition that risks associated with permissionless blockchains can be effectively mitigated through appropriate measures represents a positive step towards greater technology neutrality in the implementation of the Basel Cryptoasset Standards in Singapore.

(b) **Global reassessment, refinement and recalibration:** The Basel Cryptoasset Standards should be continuously reassessed, refined and recalibrated, at the global level, to take into account fast-developing legal, policy and regulatory shifts in major jurisdictions, technological advancements and enhancements to the cryptoassets ecosystem, and to ensure global regulatory consistency and legal certainty. We believe MAS is well positioned to draw on its experience and leadership in digital asset regulation and practical experience with tokenisation and DLT to play an important role in developing and calibrating the global Basel Cryptoasset Standards so that they can be globally implemented in a calibrated and risk-sensitive manner. In particular, we highly encourage MAS to continue to share its insights, expertise and first-hand experience with the members of the Basel Committee, so that the global approach remains consistent, technology-neutral, practical and supportive of responsible innovation.

High-level summaries of responses to Consultation Questions: In this part of the executive summary, we set out high-level summaries of our response to each of the four Consultation Questions. Our full responses are set out in **Section 4**:

(a) **Response to Question 1:** We welcome the Proposals' general recognition that permissionless blockchain-based cryptoassets may qualify for Group 1 treatment if certain principle-based risk mitigants are in place. We also appreciate the Proposals' introduction of deeming provisions as examples of non-exhaustive means of satisfying the high-level, principle-based requirements. This approach provides greater compliance certainty and predictability, but at the same time,

also offers banks the flexibility to address the relevant risks through other equally effective risk mitigants. Having said this, we respectfully submit that some of the principle-based requirements and deeming provisions may require further clarifications and/or modifications. Otherwise, a *literal* interpretation of the existing requirements could result in the imposition of an onerous standard that is very difficult (or even impossible) for certain types of tokenised assets and stablecoins to satisfy in practice.

(b) **Response to Question 2:** As noted in our response to question 1 above, we respectfully submit that some of the principle-based requirements and deeming provisions may require further clarifications and/or modifications. Otherwise, a *literal* interpretation of the existing requirements could result in the imposition of an onerous standard that is very difficult (or even impossible) for certain types of tokenised assets and stablecoins to satisfy in practice. Firstly, as a general point, we note that Annexes C and D of the April 2026 Consultation Paper appear to impose blanket obligations on a "bank" to ensure that the relevant principle-based requirements and/or deeming provisions are satisfied, without differentiating between the different roles that a bank may play in relation to a permissionless blockchain-based cryptoasset. More specifically, the requirement for the cryptoasset issuer to have mechanisms to verify the identity of *each* cryptoasset holder and/or to put in place permissioning controls so that only whitelisted entities or wallets can hold and perform transactions with cryptoassets is generally only possible in respect of cryptoasset holders or entities who are *direct customers* of the cryptoasset issuer. Thus, requiring the cryptoasset issuer to verify the identities of *all* secondary market cryptoasset holders (i.e., including those who are *not direct* customers of the cryptoasset issuer) is an onerous standard that is impractical for certain public blockchain-based tokenised assets and stablecoins to satisfy. In addition, in relation to the deeming provisions, we respectfully request MAS to clarify that instead of requiring a defined point of finality for the underlying blockchain of each permissionless blockchain-based cryptoasset, it would be sufficient for banks to instead rely on satisfying the existing requirements under classification condition 2, which already contain relevant requirements to address settlement finality risks. Furthermore, we also respectfully request MAS to clarify that the requirement for the cryptoasset issuer to conduct independent third-party audits on smart contracts only applies to the *initial deployment* of smart contracts and *material* changes to their code or architecture, and that cryptoasset issuers may adopt a *risk-based* approach to determining the appropriate frequency of reviewing and testing their BCP (as defined below). In relation to addressing governance risks, we respectfully submit that the focus of the deeming provisions should *not* be on the concentration of validator nodes or voting power, but rather, the abilities of different validator structures to put in place robust controls and measures to mitigate governance risks, which also aligns with a more technology-neutral approach. In addition, while we support MAS' general objective of improving the clarity and accessibility of documentation relating to permissionless blockchain-based cryptoassets by requiring documented and accessible governance arrangements, we respectfully submit that in practice, such documentation is generally produced and maintained by protocol-level bodies or ecosystem participants (rather than by regulated financial institutions). Further, it may also be impractical in permissionless blockchain environments to require monitoring mechanisms to be implemented and documentation made available by banks or centralised protocol-level bodies. Therefore, rather than imposing strict obligations relating to documentation, monitoring and accessibility of governance arrangements on the bank or centralised protocol-level bodies, we request that MAS clarify that it would be sufficient for banks to *generally* demonstrate a sound understanding of the relevant public permissionless networks, monitor network performance, oversee directly operated nodes and have appropriate incident management frameworks. Finally, and more generally, we encourage MAS to adopt a more pragmatic, flexible, risk-sensitive and forward-looking approach to the Proposals by lowering the onerous compliance threshold of requiring compliance "at all times", clarifying that banks may place reliance on the classification assessments conducted by a regulated ETF issuer in relation to banks' *indirect*

exposures to permissionless blockchain-based cryptoassets via ETFs, explicitly recognising the effectiveness of certain technological risk mitigants (e.g., Layer 2 solutions, smart contract-based permissioning and on-chain analytics) and ensuring that the principle-based requirements and deeming provisions remain sufficiently flexible and open to accommodate fast-moving technological developments.

(c) **Response to Question 3:** We generally welcome the approach to including principle-based requirements for addressing the relevant risks associated with permissionless blockchain-based cryptoassets, including AML/CFT risks. Having said this, as noted in our response to question 2 above, we respectfully submit that some of the principle-based requirements relating to AML/CFT risks may require further clarifications and/or modifications. Otherwise, a *literal* interpretation of the existing requirements could result in the imposition of an onerous standard that is very difficult (or even impossible) for certain types of tokenised assets and stablecoins to satisfy in practice — in particular, the requirement for the cryptoasset *issuer* to have mechanisms to verify the identity of *each* cryptoasset holder. While cryptoasset issuers generally have the ability to verify the identities of holders who are their *direct* customers, the requirement to verify *all* cryptoasset holders' real-world identities is an onerous standard that is impractical for public blockchain-based tokenised assets and stablecoins that are publicly traded in secondary markets to satisfy. This is because such cryptoassets may be held by secondary market holders through multi-layered structures involving various intermediaries (e.g., in nominee wallets, omnibus wallets or on a digital asset exchange) and there is generally no contractual or legal basis for the cryptoasset *issuer* to conduct a full look-through across such structures. Therefore, it is often impracticable and costly for cryptoasset *issuers* to obtain the necessary information to verify the real world identities of the downstream secondary market holders who are *not* their direct customers. In light of this, we request that MAS clarify that this identity verification requirement only applies in respect of cryptoasset holders who are *direct* customers of the cryptoasset issuer. As regards downstream, secondary market cryptoasset holders who are *not* direct customers of the cryptoasset issuer, it may be more practical and effective to recognise that it will be sufficient for the relevant ecosystem participants to, in the aggregate, have appropriate measures in place to mitigate the AML/CFT risks associated with permissionless blockchain-based cryptoassets.

(d) **Response to Question 4:** While we understand MAS' intention to ensure financial stability, the Proposals significantly limit the amount of a bank's exposures to, and issuances of permissionless blockchain-based cryptoassets that are classified as Group 1 cryptoassets. We respectfully submit our strong concerns that the Exposure and Issuance Caps (as defined below) are overly restrictive and disproportionate to the risk characteristics of cryptoassets, and would make it unduly prohibitive for banks to offer an appropriate level of products and services to their clients, thereby driving those activities away from the regulated banking sector. This is especially likely to be the case since the digital assets industry is still an emerging industry where competition is high and margins are relatively thin, meaning that prohibitive prudential regulations and high compliance costs may well prompt banks to reconsider their business models and perhaps even their overall provision of cryptoasset-related services. In addition, the Exposure and Issuance Caps (as defined below) appear to deviate from the key regulatory principles of "same activity, same risk, same regulation" and technology neutrality, and also appear to differ from the Basel Committee's general approach in the global Basel Cryptoasset Standards. Therefore, we strongly urge MAS to *remove* the Exposure and Issuance Caps (as defined below), *both* for the interim period and in the finalised version of the Proposals. However, should MAS be considering retaining the concept of the Exposure and Issuance Caps (as defined below), we would strongly recommend that MAS engage in a prior dialogue with the

Associations and seek further views from relevant industry participants *before* finalizing the Proposals.

Other specific comments and recommendations: In addition to the thematic comments and recommendations and responses to the Consultation Questions, we would also like to make the following specific comments and recommendations in relation to the Proposals and the implementation, interpretation and application of the Basel Cryptoasset Standards in Singapore:

(a) **Alignment with global implementation timing and content:** We welcome MAS' decision to defer the implementation of the Basel Cryptoasset Standards in Singapore to 1 January 2027 or later, which appropriately recognises the time required for banks to make adequate preparations, reduces the risk of regulatory arbitrage and provides a better opportunity for MAS to align its final implementing rules with any further changes to the global Basel Cryptoasset Standards. We note that MAS has committed to continue to keep abreast of international developments and to adjust Singapore's local implementation accordingly, both in terms of timing and content. Given recent international developments — including the recommendations of the U.S. President's Working Group on Digital Asset Markets and the regulatory guidance issued by various U.S. federal banking agencies in the *Capital Treatment of Tokenized Securities Frequently Asked Questions* ("**Tokenised Securities FAQs**")[8] — which may encourage further recalibration of the Basel Cryptoasset Standards and the adoption of a more technology-neutral approach by the Basel Committee, we encourage MAS to remain responsive to global shifts. Should the Basel Committee decide to pause global implementation of the Basel Cryptoasset Standards, we recommend that MAS do likewise, and promptly adjust MAS's local implementing rules to reflect any global amendments, thereby ensuring Singapore's digital asset ecosystem remains competitive with those of its peers and aligned with the latest international standards.

(b) **Notification requirements and classification assessment materials:** The Proposals require a bank to notify MAS at least one month prior to the date the bank intends to classify a permissionless blockchain-based cryptoasset into Group 1 during the interim period, together with a written confirmation from the bank's executive officer responsible for risk management. Where the deeming provisions are not met, the bank must additionally demonstrate to MAS' satisfaction that the relevant cryptoasset meets the principle-based requirements via other forms of safeguards and seek MAS' prior approval for such classification. These requirements place significant compliance burdens on banks to provide prior notification, written confirmations and other supporting documents (to the extent applicable) on a timely basis, especially since the proposed Group 1 prudential treatment for permissionless blockchain-based cryptoassets had already taken effect from the time of publication of the April 2026 Consultation Paper. In this respect, we welcome the opportunity to work with MAS to develop some common classification assessment templates, which would help streamline the preparation, submission, and review of classification assessments. In addition, we respectfully submit that the requirement to conduct classification assessments and submit individual notifications for *each* individual cryptoasset may be overly granular and burdensome for banks. Therefore, in addition to allowing banks to rely on the classification assessments conducted by a regulated ETF issuer in respect of their *indirect* exposures to permissionless blockchain-based cryptoassets via ETFs, we request that MAS *also* clarify that banks may be permitted to conduct a single classification assessment for a *group* of permissionless blockchain-based cryptoassets that share the same underlying characteristics and operational mechanisms. Finally, in respect of the requirement

[8] Board of Governors of the Federal Reserve System, *Capital Treatment of Tokenized Securities Frequently Asked Questions* (March 2026), available at: https://www.federalreserve.gov/supervisionreg/capital-treatment-of-tokenized-securities-faqs.htm.

for a bank to submit a *new* notification to MAS for any *changes* to the "design" of the permissionless blockchain-based cryptoasset or its underlying blockchain, we respectfully request MAS to provide clarification that this is only required where there is a *material adverse* change to the relevant cryptoasset that adversely affects the risk assessment forming the basis on which the bank had made its original assessment of the cryptoasset's eligibility for Group 1 prudential treatment.

(c) **Other comments and recommendations:** We refer to the recommendations set out in the April 2025 ASIFMA MAS Submission and the joint submission to the Basel Committee from the global industry associations dated 19 August 2025 ("**Global Associations Joint Submission**")[9]. We continue to believe that the recommendations in the April 2025 ASIFMA MAS Submission and the Global Associations Joint Submission should be reflected in the Proposals and, where applicable, the Basel Cryptoasset Standards. Therefore, we respectfully request that MAS take into account these recommendations when finalising the Proposals. In addition, at the global level, there is also an ongoing effort from the industry to prepare specific textual recommendations for further changes to the global Basel Cryptoasset Standards, which will be shared with the Basel Committee in due course. Thus, beyond the Proposals, we also encourage MAS to continue to closely monitor global regulatory developments and consider making relevant amendments to the prudential treatment of cryptoassets in the future, having regard to the recommendations in the Global Associations Joint Submission and in consultation with relevant industry participants.

3 Thematic comments

We encourage MAS to continue to take into account the following themes when it is: (i) formulating policies (in its capacity as a member of the Basel Committee) regarding the prudential treatment of banks' cryptoasset exposures and (ii) implementing and interpreting (in its capacity as Singapore's prudential regulator) the Basel Cryptoasset Standards in Singapore:

3.1 "Same activity, same risk, same regulation" and "technology neutrality"

A key theme in this letter is the need for the prudential regulation of cryptoassets to follow the overarching principles of "same activity, same risk, same regulation" and being "technology neutral". These overarching principles are emphasised by the Financial Stability Board ("**FSB**") in its global regulatory framework for crypto-asset activities.[10] MAS has also expressly stated that it adopts a technology-neutral approach to supervision and observes the principle of "same activity, same risk, same regulation".[11]

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[9] The Global Associations Joint Submission is made by GFMA, SIFMA, AFME, ASIFMA, FIA, IIF, ISDA, FSF, BPI, GBBC and GDF, and is available at: https://www.gfma.org/wp-content/uploads/2025/08/bcbs-prudential-letter-final-public-version.pdf.

[10] *See* FSB, *FSB Global Regulatory Framework for Crypto-asset Activities* (17 July 2023), available at: https://www.fsb.org/uploads/P170723-1.pdf.

[11] *See e.g.*, MAS, *FAQs on the Payment Services Act* (19 April 2024) at para. 23.6 ("*MAS takes a* ***technology-neutral*** *stance and will examine the characteristics of the stablecoin to determine the appropriate regulatory treatment*"); MAS, *Financial Stability Review* (November 2022) at 104 ("*To the extent that crypto ecosystem activity and vulnerabilities are similar to those in the traditional financial system, a principle of "****same activity, same risk, same regulatory outcomes****" can guide the design of regulation.*")

In this regard, we respectfully note that certain aspects of the international version of the Basel Cryptoasset Standards appear to depart from the "technology neutral" approach by singling out a particular type of blockchain technology, in this case, public permissionless blockchain technology. We submit that a more nuanced approach that is based on the risk characteristics of assets, regardless of the particular technological infrastructure used, would better align with the overarching principles above. Such an approach would also support the sustainable and responsible development of the cryptoasset ecosystem, creating fit-for-purpose regulations that adequately mitigate relevant risks while allowing banks to innovate in a sustainable and responsible manner.

We believe the Proposals' general recognition that the risks associated with permissionless blockchains can be effectively mitigated through appropriate measures represents a positive step towards greater technology neutrality in the implementation of the Basel Cryptoasset Standards in Singapore. We encourage MAS to continue to monitor and assess new mitigants that can adequately address the perceived risks associated with permissionless blockchains and to share its findings with other members of the Basel Committee.

3.2 Global reassessment, refinement and recalibration

Another key theme in this letter is the need for the Basel Cryptoasset Standards to be continuously reassessed, refined and recalibrated, at the global level, to take into account fast-developing legal, policy and regulatory shifts in major jurisdictions, technological advancements and enhancements to the cryptoassets ecosystem, and to ensure global regulatory consistency and legal certainty. Currently, despite the progress made by different regulators and industry participants to reach a more consistent regulatory consensus, global divergences in how permissioned and permissionless blockchains are treated, especially in prudential frameworks, still remain. This could have the adverse effect of further exacerbating regulatory fragmentation and increasing arbitrage risk. Given recent cryptoasset market developments, we note that the Basel Committee has itself agreed to expedite a review of the targeted elements of the Basel Cryptoasset Standards[12].

In this respect, we believe MAS has an important role to play in developing and calibrating the global Basel Cryptoasset Standards iteratively. Specifically, we highly encourage MAS to continue to share its insights, expertise and first-hand experience with tokenisation, digitisation, DLT and other cryptoasset-related matters with the members of the Basel Committee, so that the global approach remains consistent, technology-neutral, practical and supportive of responsible innovation. To this end, the Associations and our members would be pleased to continue to offer our support in whatever way MAS considers appropriate.

4 Responses to each Consultation Question

In this section, we set out our specific responses to each of the four Consultation Questions.

4.1 Question 1: We have proposed to disapply specific portions of the classification conditions which would disqualify all permissionless cryptoassets from being classified as Group 1 and set out proposed principle-based requirements and deeming provisions specified in Annexes C and D respectively to allow

[12] *See* BIS Press release, *Basel Committee continues to prioritise Basel III implementation, approves final principles on third-party risks and agrees to expedite targeted review of cryptoasset standard* (19 November 2025), available at: https://www.bis.org/press/p251119.htm

permissionless cryptoassets that have adequately mitigated the ensuing risks to be classified as Group 1. MAS seeks views on such an approach and whether there are other aspects of the classification conditions that need to be adjusted to provide banks the leeway to hold exposures to permissionless cryptoassets or engage in issuances of permissionless cryptoassets, while managing the risks.

The April 2026 Consultation Paper helpfully clarifies that cryptoassets issued on permissionless blockchains may still be classified as a Group 1 cryptoasset if certain effective risk mitigants are in place. More specifically, MAS proposes to *disapply* the relevant elements of classification conditions 3 and 4 from the March 2025 Consultation that make it practically impossible for such cryptoassets to qualify as Group 1 cryptoassets, and instead, such cryptoassets may qualify into Group 1 *as long as* the principle-based requirements set out in Annex C and/or the deeming provisions set out in Annex D of the April 2026 Consultation Paper are satisfied.

This is generally a welcome development, since the Proposals now provide a pathway for certain permissionless blockchain-based cryptoassets to qualify as Group 1 cryptoassets. In particular, we appreciate MAS' introduction of the deeming provisions, which would provide greater compliance certainty and predictability for the financial industry. In this connection, we also welcome MAS' clarification in paragraph 2.6 of the April 2026 Consultation Paper that the deeming provisions are merely *non-exhaustive* means of satisfying the principle-based requirements, and that banks can still demonstrate that the relevant risks are adequately mitigated "*via other forms of safeguards*". This offers banks the flexibility to address the relevant risks through other effective risk mitigants and also aligns with MAS' technology-neutral classification framework.

Having said this, we respectfully submit that some of the principle-based requirements and deeming provisions may require further clarifications and/or modifications. Otherwise, a *literal* interpretation of the existing requirements in the April 2026 Consultation Paper could result in the imposition of an onerous standard that is very difficult (or even impossible) for certain types of tokenised assets and stablecoins to satisfy in practice. Please see our specific response to question 2 below for our detailed comments, reasoning and recommendations in this regard.

In addition, while Annex B of the April 2026 Consultation Paper states that there are *no* changes to the text of the draft rules (including the classification conditions) contained therein, we believe it is important that the *final* version of the rules explicitly includes, or at least references, the provisions in Annex C of the April 2026 Consultation Paper that would *disapply* the relevant elements of the classification conditions under paragraphs 9A.2.21 and 9A.2.22 of the draft rules for permissionless blockchain-based cryptoassets. This would provide greater clarity and ensure that banks are not inadvertently subject to requirements that are impractical for permissionless blockchain-based cryptoassets to satisfy.

4.2 Question 2: MAS seeks views on the proposed principle-based requirements and deeming provisions that are set out in Annexes C and D respectively, whether they are sufficient and appropriate to mitigate the risks arising from permissionless blockchains. If respondents are of the view that there are additional requirements or deeming provisions that should be included, or conversely that there are requirements or deeming provisions which can be modified to manage the risks arising from permissionless blockchains in a different way, please provide the relevant details.

As noted in our response to question 1 above, we respectfully submit that some of the principle-based requirements and deeming provisions that are set out in Annexes C and D of the April 2026 Consultation Paper may require further clarifications and/or modifications. Otherwise, a *literal* interpretation of the existing requirements in the April 2026 Consultation Paper could result in the imposition of an onerous standard that is very difficult (or even impossible) for certain types of tokenised assets and stablecoins to satisfy in practice.

Firstly, as a general point, we note that Annexes C and D of the April 2026 Consultation Paper appear to impose blanket obligations on a "bank" to ensure that the relevant principle-based requirements and/or deeming provisions are satisfied, without differentiating between the different roles that a bank may play in relation to a permissionless blockchain-based crypotasset. While a bank may be able to satisfy certain requirements (including the AML/CFT requirements relating to customer on-boarding, KYC, issuance and redemption controls, etc.) in relation to its *direct* customers, it may be challenging for a bank to ensure that such requirements are satisfied in respect of cryptoasset holders who are *not direct* customers of the bank.

More specifically, paragraph 4(b) of Annex C requires that "*[t]he cryptoasset issuer must have in place mechanisms to verify the identity of each cryptoasset holder or in cases where it is not possible to verify the identifies of all cryptoasset holders, appropriate measures that have been demonstrated to be effective in mitigating AML/CFT risks*". The corresponding deeming provision in paragraph 3(a) of Annex D similarly requires the cryptoasset *issuer* to put in place permissioning controls, so that "*only whitelisted entities or whitelisted wallets that have been pre-screened and verified can hold and perform transactions with the cryptoasset*". The requirement for the cryptoasset issuer to have mechanisms or controls that are capable of verifying cryptoasset holders' real-world identities and/or *all* wallets and entities holding and performing transactions with the cryptoassets is generally only possible in respect of cryptoasset holders or entities who are *direct customers* of the cryptoasset issuer. Thus, requiring the cryptoasset issuer to verify the identities of *all* secondary market cryptoasset holders (i.e., including those who are *not direct* customers of the cryptoasset issuer) is an onerous standard that is impractical for certain public blockchain-based tokenised assets and stablecoins to satisfy. Since this requirement relates to AML/CFT risk, we have set out our detailed comments and recommendations regarding paragraph 4(b) of Annex C and paragraph 3(a) of Annex D in response to question 3 below.

With regards to settlement finality, we note the deeming requirement in paragraph 2(b) of Annex D of the April 2026 Consultation Paper that there must be "*a point of finality defined for the underlying blockchain of the cryptoasset, which is documented and made available to users of the blockchain, where the point of finality refers to a level of confirmation where any reversal of transactions on the blockchain would be economically or technically impractical*". Since settlement finality in permissionless blockchains may be probabilistic, we respectfully submit that it may *not* be practical to impose such prescriptive requirements for a defined point of finality in all circumstances. Instead, we request that MAS clarify that it would be sufficient for banks to instead rely on satisfying the *existing* requirements under classification condition 2, which already include relevant requirements to address settlement finality risks. For example, such requirements include the following: "*…(ii) the applicable legal frameworks in all relevant countries or jurisdictions support settlement finality in primary markets and in secondary markets; (iii) the cryptoasset arrangement provides for full transferability of ownership of the cryptoasset and settlement finality, at all times, and the documentation of the cryptoasset arrangement sets out when the cryptoasset and its financial risks, become irrevocably and unconditionally transferred from one party to another;…".*

Also, we note the deeming requirement in paragraph 2(d) of Annex D of the April 2026 Consultation Paper for the cryptoasset issuer to engage independent third-party entities to audit the design and code of any smart contracts used, including "*any changes to the smart contract to minimise the risk of bugs, vulnerabilities and coding errors*". We respectfully request MAS to clarify that this requirement only applies to the *initial deployment* of smart contracts and to ***material*** *changes* to their code or architecture. Specifically, a full and independent third-party audit should *not* be automatically required for routine operational updates to the smart contracts, particularly where such changes do *not* affect token transferability, settlement finality, redemption or repayment mechanics, permissioning, freeze or correction controls, holder rights, smart contract security or asset protection. Instead, *non*-material changes may be managed through robust change control, testing and monitoring. This would preserve MAS' objective of reducing the risk of bugs, vulnerabilities and coding errors, while avoiding a mandatory third-party audit requirement that could delay low-risk upgrades or urgent technical remediations.

In addition, we note the deeming requirement in paragraph 2(f) of Annex D of the April 2026 Consultation Paper for the cryptoasset issuer to "regularly" review and test its business continuity plan ("**BCP**") to ensure it remains comprehensive, appropriate and fit for purpose. While we welcome the fact that the Proposals do not prescribe any specific frequency or timeframe for such review and testing, we respectfully request that MAS clarify that each cryptoasset issuer may adopt a risk-based approach to determining the appropriate frequency of reviewing and testing its BCP, taking into account all relevant factors.[13]

Furthermore, we note the deeming requirement in paragraph 1(a) of Annex D of the April 2026 Consultation Paper for the blockchain to *either* "*have a significantly large number of validator nodes*" or "*no single entity*" controlling a "*significant share of the validator nodes or voting powe*r". We propose that instead of focusing on the concentration of validator nodes or voting power, greater emphasis should be placed on the ability to put in place robust controls and measures to mitigate governance risks. We respectfully submit that *both concentrated* validator structures (e.g., blockchains with a single or small number of validator nodes)[14] and *diffused* validator structures (e.g., blockchains with a large number of validator nodes) have their own effective ways to implement robust governance, cybersecurity, business continuity plans, and recovery controls. In fact, in *concentrated* validator structures, it may actually be operationally easier to uplift and assess governance, cybersecurity, business continuity plans, and recovery controls at the validator level, whereas *diffused* validator structures can sometimes make consistent implementation, assurance and supervision of such controls more challenging. Therefore, focusing on the degree of concentration of validator nodes or voting power diverges from a technology-neutral approach and overlooks the abilities of different validator structures to achieve similar risk-mitigating outcomes on operational resilience and governance. This approach also has the risk of conferring a blanket *positive* regulatory grading for *diffused* validator structures and *negative* regulatory

[13] This approach would also be consistent with paragraph 6.1.2 of the Hong Kong Monetary Authority's SPM TM-G-2 (Business Continuity Planning), which lists the following relevant factors: "*[authorized institutions] are expected to determine the frequency of testing of their BCP based on a variety of factors, including the potential impact of a disruption, how many critical operations an [authorized institution] has, and whether the operating environment has materially changed*."

[14] Certain public permissionless blockchains adopt a delegated proof of stake ("**DPoS**") mechanism for governance, whereby token holders vote for a *small number* of delegate validators who are then responsible for validating transactions and creating new blocks. Under these arrangements, a small number of super representatives are elected through community voting to be responsible for block production and transaction validation. This mechanism is intended to ensure high performance, efficient consensus, while balancing decentralised governance and network security.

grading for *concentrated* validator structures, which, in our view, is a relatively arbitrary and artificial line to draw.

In addition, we support MAS' general objective of improving the clarity and accessibility of documentation relating to permissionless blockchain-based cryptoassets by requiring documented and accessible governance arrangements under paragraph 2(b) of Annex C and paragraph 1(c) of Annex D of the April 2026 Consultation Paper. However, we respectfully submit that in practice, such documentation is generally produced and maintained by protocol-level bodies or ecosystem participants, rather than by regulated financial institutions. While banks may assess and rely on publicly available protocol documentation as part of their due diligence, they are *not* the owners of that documentation and cannot be expected to create, maintain, or update it. Further, it may also be impractical in permissionless blockchain environments to require monitoring mechanisms to be implemented and documentation made available by centralised protocol level bodies. Therefore, rather than imposing strict obligations relating to documentation, monitoring and accessibility of governance arrangements on the *bank* or *centralised protocol-level bodies*, we request that MAS clarify that it would be sufficient for banks to *generally* demonstrate a sound understanding of the public permissionless networks they engage with, monitor network performance, oversee directly operated nodes and have appropriate incident management frameworks.

Moreover, we note that paragraph 1 of Annex C of the April 2026 Consultation Paper provides that a bank may classify and treat permissionless blockchain-based cryptoassets as Group 1 cryptoassets only if it ensures that the cryptoassets meet the relevant classification conditions and principle-based requirements "*at all times*". In this context, we respectfully request MAS to consider using the term "*as frequently as is reasonably practicable*" (or similar) as opposed to "*at all times*". While we understand the importance of ensuring ongoing compliance, a literal interpretation of "*at all times*" implies responsibility for uninterrupted performance of public permissionless blockchains, which is an onerous standard that no issuer, custodian or bank can practically guarantee or demonstrate. With "*as frequently as is reasonably practicable*" (or similar), we propose a more workable approach that would also require proper compliance procedures supported by documented thresholds, monitoring and escalation triggers, clear paths towards incident response processes and remediation actions. This would preserve MAS' intent without creating an expectation of uninterrupted performance (which we respectfully submit is *not* realistic even for private networks). In this regard, we also note that our proposed approach would be more consistent with MAS' regulatory approach in paragraph 14.2.4 of its Technology Risk Management Guidelines[15], under which MAS suggested banks to implement "risk-based" authentication measures that are "commensurate with the risk level" of the transaction (as opposed to requiring an absolute standard of compliance "at all times").

Also, we note that the application of the principle-based requirements and deeming provisions to *indirect* exposures, such as exchange-traded funds ("**ETFs**") referencing permissionless blockchain-based cryptoassets, raises additional operability considerations. Such products may reference multiple underlying cryptoassets, and their composition may change over time according to the discretion of the fund manager. As such, it may not be practical for a bank that merely *invests* in such ETFs to have to assess compliance with the principle-based requirements under Annex C and/or the deeming provisions under Annex D of the April 2026 Consultation Paper *for each* underlying permissionless blockchain-based cryptoasset, especially as the fund composition evolves over time. We are concerned that

[15] *See* MAS, Technology Risk Management Guidelines (January 2021), available at: https://www.mas.gov.sg/-/media/mas/regulations-and-financial-stability/regulatory-and-supervisory-framework/risk-management/trm-guidelines-18-january-2021.pdf

applying notification or approval processes at the level of each underlying cryptoasset could result in duplicated assessments across institutions and a heavy supervisory burden on MAS. Thus, in relation to banks' *indirect* exposures to such cryptoassets via ETFs, we respectfully request that MAS clarifies that reliance can be placed by banks on the classification assessment conducted by a regulated ETF issuer, subject to the bank having conducted appropriate due diligence on the quality of such classification assessment.

Additionally, we respectfully submit that MAS should explicitly recognise that certain effective technological risk mitigants — such as Layer 2 solutions, smart contract-based permissioning and on-chain analytics — are able to mitigate many of the operational, governance, and compliance risks associated with public permissionless blockchains by explicitly including such risk mitigants in the deeming provisions set out in Annex D of the April 2026 Consultation Paper. In addition, the principle-based requirements and deeming provisions should remain flexible and open to recognise new technological solutions (e.g., zero-knowledge proofs, decentralized identity, advanced analytics) as valid risk mitigants, and MAS should also commit to a periodic review of the deeming provisions to ensure that they remain up to date in light of fast-moving technological developments.

4.3 Question 3: MAS seeks views on the inclusion of principle-based requirements for AML/CFT risk

As noted in our response to question 1 above, we generally welcome the approach to including principle-based requirements for addressing the relevant risks associated with permissionless blockchain-based cryptoassets, including AML/CFT risks. In *principle*, we believe that this general approach would offer banks the flexibility to address the relevant risks through different equally effective risk mitigants, which also aligns with MAS' technology-neutral regulatory approach. Having said this, as noted in our response to question 2 above, we respectfully submit that some of the principle-based requirements for addressing AML/CFT risks as set out in paragraph 4 of Annex C of the April 2026 Consultation Paper may require further clarifications and/or modifications. Otherwise, a *literal* interpretation of the existing requirements could result in the imposition of an onerous standard that is very difficult (or even impossible) for certain types of tokenised assets and stablecoins to satisfy in practice.

Specifically, paragraph 4(b) of Annex C requires that "*[t]he cryptoasset issuer must have in place mechanisms to verify the identity of each cryptoasset holder or in cases where it is not possible to verify the identifies of all cryptoasset holders, appropriate measures that have been demonstrated to be effective in mitigating AML/CFT risks*". While cryptoasset issuers generally have the ability to verify the identities of cryptoasset holders who are their *direct* customers, the requirement for the cryptoasset *issuer* to have mechanisms that are capable of verifying *all* cryptoasset holders' real-world identities (i.e., including cryptoasset holders who are *not* direct customers of the cryptoasset issuer) is an onerous standard that is impractical for public blockchain-based tokenised assets and stablecoins that are publicly traded in secondary markets to satisfy.

This is because such cryptoassets may be held by secondary market holders through multi-layered structures involving various intermediaries (e.g., in nominee wallets, omnibus wallets or on a digital asset exchange), making it operationally impracticable for cryptoasset *issuers* to obtain the necessary information to verify the real-world identities of downstream secondary market holders who are ***not*** their *direct* customers. Although *theoretically,* cryptoasset issuers may seek additional information regarding the downstream secondary market holders from its *direct* customers, in practice, there is generally *no contractual or legal basis* to enable the cryptoasset issuer to conduct a full look-through across multi-layered intermediary or omnibus structures in order to fully identify the downstream secondary market

holders. This, coupled with the vast range and number of ecosystem participants in the secondary market, makes the full identification of *all* cryptoasset holders (i.e., especially secondary market holders who are *not* direct clients of the cryptoasset issuer) an impractical and costly endeavour for the cryptoasset *issuer*.

Therefore, we request that MAS clarify that this requirement on the cryptoasset *issuer* to verify the identities of cryptoasset holders only applies in respect of cryptoasset holders who are *direct* customers of the cryptoasset issuer. As regards downstream, secondary market cryptoasset holders who are *not* direct customers of the cryptoasset issuer, it may be more practical and effective to recognise that it will be sufficient for the relevant ecosystem participants (i.e., *not just* the issuer, but also the brokers, liquidity market makers, custodians and trading venues, etc.) to, in the aggregate, have appropriate measures in place to mitigate the AML/CFT risks associated with permissionless blockchain-based cryptoassets.

4.4 Question 4: MAS seeks views on the necessity for exposure and issuance caps to apply when the rules are finalised and implemented. Should respondents be of the view that there is a need for such caps when the rules are finalised and implemented, MAS also seeks views on the calibration of the exposure and issuances caps. Please justify with elaborations where relevant.

The Proposals impose exposure and issuance caps for permissionless blockchain-based cryptoassets that are classified as Group 1 cryptoassets, which are effective immediately and throughout the interim period. For locally-incorporated banks, the exposure caps and issuance caps are 2% and 5% of the bank's Tier 1 capital, respectively, and for banks operating through Singapore branches, the exposure caps and issuance caps for cryptoassets booked in the Singapore branch are 0.2% and 1% of the total assets in the Singapore branch, respectively (collectively, "**Exposure and Issuance Caps**"). Where the Exposure and Issuance Caps are exceeded, the excess exposures and/or issuances must be reclassified as Group 2 cryptoassets and subjected to Group 2 prudential treatment.

We respectfully submit our strong concerns that the Exposure and Issuance Caps make it highly prohibitive for banks to offer services and products for the benefit of their clients, and will drive those services and products away from the regulated banking sector. As noted above, if a bank exceeds the relevant caps, the excess exposures and/or issuances must be reclassified as Group 2 cryptoassets, even if *"the permissionless cryptoasset is able to meet the principle-based requirements and is eligible to be classified as a Group 1 cryptoasset"*[16]. Further, since tokenised traditional assets and stablecoins typically would not have the market capitalisation, daily trading volume and other attributes necessary to satisfy the hedging recognition criteria to be classified as Group 2a cryptoassets, they would likely fall under Group 2b and receive a punitive 1,250% risk weight. Therefore, in practice, any excess exposures and/or issuances would be effectively subjected to a highly disproportionate "dollar-for-dollar" capital charge. This punitive capital charge is tantamount to an outright ban on holding and/or issuing such cryptoassets, *not least* because the digital assets industry is still an emerging industry where competition is high and margins are relatively thin, meaning that prohibitive prudential regulations and high compliance costs may well prompt banks to reconsider their business models and perhaps even their overall provision of cryptoasset-related services in Singapore. As such, the Exposure and Issuance Caps may well stifle banking sector innovation and push these activities outside regulated and supervised financial institutions and/or beyond Singapore's borders.

Furthermore, we respectfully submit that the Exposure and Issuance Caps appear to deviate from the principles of "same activity, same risk, same regulation" and technology neutrality, which are key

[16] *See* paragraph 2.11 of the April 2026 Consultation Paper.

regulatory principles MAS has expressly stated that it follows[17]. This is because a permissionless blockchain-based cryptoasset that satisfies all of the principle-based requirements (and has therefore demonstrably mitigated the relevant risks arising from the use of permissionless blockchains according to the Proposals) would *nonetheless* be subjected to significantly higher capital requirements merely because a bank's aggregate exposures and/or issuance amounts exceed the relevant Exposure and Issuance Caps. This differential treatment based on aggregate quantitative thresholds, rather than the fundamental risk characteristics of the underlying assets, contradicts the technology-neutral approach and could inadvertently disincentivize the adoption of compliant technological innovations that can enhance market efficiency and transparency.

In addition, we respectfully note that even the global Basel Cryptoasset Standards only impose specific exposure limits on cryptoassets classified into Group 2 (and not Group 1). Thus, following the same approach, if certain permissionless blockchain-based cryptoassets are able to satisfy the principle-based requirements and/or deeming provisions in the Proposals (and are thus eligible to be classified as a Group 1 cryptoasset), they should also *not* be subjected to any exposure or issuance caps. Therefore, in this respect, the Exposure and Issuance Caps also appear to differ from the Basel Committee's regulatory approach in the global Basel Cryptoasset Standards.

In light of the foregoing, we strongly urge MAS to *remove* the Exposure and Issuance Caps during the interim period, and similarly, not to apply the Exposure and Issuance Caps in the finalized version of the Proposals. However, should MAS be considering retaining the *concept* of the Exposure and Issuance Caps, we would strongly recommend that MAS engage in a prior dialogue with the Associations and seek further views from relevant industry participants *before* finalizing the Proposals.

In any case, since the Exposure and Issuance Caps had *already* taken effect (i.e., from the time of publication of the April 2026 Consultation Paper), we also respectfully request MAS to provide the following clarifications on the current Proposals in order to assist banks with ensuring proper compliance with the relevant requirements during the interim period:

- we respectfully request MAS to clarify that permissionless blockchain-based cryptoassets held by banks under custody arrangements *for and on behalf of* the banks' *clients* are excluded from the scope of the Exposure and Issuance Caps. We respectfully submit that such custody activities do *not* generally represent proprietary exposure or balance-sheet risk to the bank, as the assets remain beneficially owned by the clients and do *not* give rise to market, credit or liquidity risk for the bank. This view is also generally consistent with paragraph 60.4 of SCO60 of the global Basel Cryptoasset Standards, which defines cryptoasset "exposures" as positions that give rise to, among other things, credit, market and/or liquidity risks, and also explicitly distinguishes custodial services involving segregated client cryptoassets as activities that do *not* generally give rise to credit, market or liquidity risks for the bank. Therefore, applying the Exposure and Issuance Caps to mere *custody* of client cryptoassets would risk conflating operational safeguarding activities with risk-taking exposures and may disincentivise regulated custody arrangements in favour of less supervised alternatives. We therefore request MAS to clarify that custody activities are *explicitly excluded* from the Exposure and Issuance Caps, with

[17] *See e.g.*, MAS, *FAQs on the Payment Services Act* (19 April 2024) at para. 23.6 ("*MAS takes a* ***technology-neutral*** *stance and will examine the characteristics of the stablecoin to determine the appropriate regulatory treatment*"); MAS, *Financial Stability Review* (November 2022) at 104 ("*To the extent that crypto ecosystem activity and vulnerabilities are similar to those in the traditional financial system, a principle of "****same activity, same risk, same regulatory outcomes****" can guide the design of regulation.*")

the relevant risks instead addressed through other operational, technology and safeguarding requirements.

- we note that foreign bank *branches* in Singapore are subject to MAS Notice 649 (Minimum Liquid Assets and Liquidity Coverage Ratio) and MAS Notice 640 (Minimum Asset Maintenance). In this regard, footnote 4 of the April 2026 Consultation Paper states that the application of the Exposure and Issuance Caps would be relevant for bank branches in Singapore since the classification of cryptoassets "*would impact the calculation of Minimum Liquid Assets (MLA) and Liquidity Coverage Ratio (LCR) requirements, which the bank branches in Singapore are subject to.*" In this connection, our members have the following questions regarding the practical application of the Proposals to foreign bank branches:

  - Question 1: Interaction between the Group 1/Group 2 classification and MLA/AM for foreign bank branches

  (a) *Exposure cap and eligible liquid assets*

  The eligible liquid assets under MAS Notice 649 paragraph 8 comprise a closed list of prescribed instruments. Cryptoassets, whether classified as Group 1 or Group 2, do not expressly appear in this list. It is also unclear whether a Group 1 tokenised traditional asset (e.g., a tokenised SGS or tokenised MAS Bill) that confers the same legal rights as the underlying traditional instrument would qualify as an eligible liquid asset under the existing paragraph 8 categories. We seek MAS's clarification on:

  (i) whether cryptoasset exposures, regardless of Group 1 or Group 2 classification, are excluded from the pool of eligible liquid assets in the computation of MLA and AM; and

  (ii) if so, what the practical significance of the Group 1 versus Group 2 distinction is for foreign branches in the context of MLA and AM.

  (b) *Issuance cap and Qualifying Liabilities*

  Where a foreign bank branch issues a permissionless blockchain-based cryptoasset that results in a liability to non-bank customers, such liability would be expected to feed into Qualifying Liabilities under MAS Notice 649 paragraph 12(a) on a gross basis, thereby increasing the branch's MLA requirement. Where the liability is owed to other banks or the branch's head office, it would fall under paragraph 12(c) on a net basis and only to the extent due within one month. The Proposals propose that issuances exceeding the 1% cap must be classified as Group 2 and subjected to conservative prudential treatment. However, MAS Notice 649 does not differentiate the treatment of liabilities in the Qualifying Liabilities computation based on the Group 1 or Group 2 classification of the underlying cryptoasset. We seek MAS's clarification on what the specific MLA and AM consequences are for a foreign bank branch's cryptoasset issuance being classified as Group 2 versus Group 1, given that this distinction is not currently addressed in Notice 649 or Notice 640.

  - Question 2: Inconsistency in the base for the exposure cap and the non-financial business cap

  The 0.2% exposure cap for foreign bank branches in the Proposals is calculated against total branch assets, while the non-financial business cap of 1.5% under

Banking Regulations Section 23G is calculated against total assets less net inter-bank lending. For branches with significant interbank or money market books, the difference in denominators may have material practical implications. We seek MAS's clarification on whether the difference in the base is intentional, and if so, the policy rationale for using different denominators across these two limits.

- Question 3: Aggregation across the exposure cap, issuance cap, and non-financial business cap

  Foreign bank branches may have exposures to permissionless blockchain-based cryptoassets through multiple channels, including direct holdings and derivatives (which the Proposals measure as delta-weighted positions under paragraph 2.10 of the April 2026 Consultation Paper) that are subject to the 0.2% exposure cap, as well as crypto-related activities that may fall under the 1.5% non-financial business cap under Banking Regulations Section 23G. In relation to foreign bank branches' exposures to permissionless blockchain-based cryptoassets (including crypto-related derivatives), we respectfully request MAS to clarify and/or confirm that (i) the 0.2% exposure cap under the Proposals; and (ii) the 1.5% non-financial business cap under Section 23G are intended to operate independently from each other.

5 Other specific comments and recommendations

Besides the general thematic comments and recommendations and specific responses to the Consultation Questions above, this section also sets out our other specific comments and recommendations on the Proposals and MAS' approach to implementing, interpreting, and applying the Basel Cryptoasset Standards in Singapore.

5.1 Alignment with global implementation timing and content

We note that MAS recently stated, in response to the March 2025 Consultation, that Singapore "*will defer the implementation of the prudential treatment and disclosures of cryptoasset exposures to 1 January 2027 or later*".[18] We welcome MAS' decision to defer the implementation of the Basel Cryptoasset Standards in Singapore, which reflects the concerns raised by ASIFMA in its earlier submissions to MAS. MAS' decision would allow much-needed time for Singapore banks to properly prepare for compliance, reduce the risk of regulatory arbitrage and afford MAS a better opportunity to align its final implementing rules with any further changes to the Basel Cryptoasset Standards at the global level.

In this connection, we note that in the Global Associations Joint Submission, the global financial services industry requested that the Basel Committee *temporarily* pause global implementation of the Basel Cryptoasset Standards in order to: (i) seek updated information concerning the use cases of DLT; and (ii) consider any appropriate redesign and recalibration of the Basel Cryptoasset Standards to account for recent and ongoing developments in global cryptoasset markets. The Industry DLT Report demonstrates that the overall size and significance of the global cryptoasset markets have increased substantially, requiring adjustments to the premises underlying the Basel Cryptoasset Standards. We note that MAS has committed to continue to keep abreast of international developments and to adjust

[18] *See* MAS, *Response to Feedback Received P003-2025* (9 October 2025), available at https://www.mas.gov.sg/-/media/mas-media-library/publications/consultations/ppd/2025/response-to-consultation-paper-on-crypto-at1-and-tier2.pdf.

Singapore's local implementation accordingly, both in terms of timing and content. If, for example, the Basel Committee adopts the global financial services industry's recommendation to *temporarily* pause global implementation of the Basel Cryptoasset Standards, we respectfully request that MAS correspondingly pause the implementation of those standards in Singapore as well, so as to align with the global implementation timeline.

In terms of content alignment, we note that Singapore's proposed implementing rules are generally consistent with the *current* global version of the Basel Cryptoasset Standards, which were mostly finalised in December 2022, when cryptoassets were largely unregulated or under-regulated in many jurisdictions. However, during the nearly three years since December 2022, the global legal, policy and regulatory landscape for cryptoassets has evolved significantly, and many major jurisdictions have now proposed or enacted laws and regulations to comprehensively regulate cryptoassets as well as related activities and market participants, in line with the 'same activity, same risk, same regulation' principle as well as global standards published by the FSB,[19] the International Organization of Securities Commissions ("**IOSCO**")[20] and the Financial Action Task Force ("**FATF**").[21]

In particular, one major Basel Committee member jurisdiction – the United States – led by its new government administration, has already adopted a slew of 'crypto-friendly' rules and regulations as it seeks to become the "crypto capital of the planet".[22] Given the significant impact that the United States has on global financial markets and regulatory trends, its crypto-friendly policies will likely influence regulatory thinking and/or policymaking in other jurisdictions and at international standard-setting bodies such as the Basel Committee.

More specifically, in July 2025, the U.S. President's Working Group on Digital Asset Markets published a 166-page report which,[23] among other things, recommended modernising the Basel Cryptoasset Standards in order to:

- incorporate new data on digital asset market performance and risk;
- reflect the latest technological innovations in blockchain and DLT; and
- ensure greater consistency with U.S. bank capital requirements.

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[19] *See e.g.*, FSB, *Global Regulatory Framework for Crypto-asset Activities* (17 July 2023), available here: https://www.fsb.org/2023/07/fsb-global-regulatory-framework-for-crypto-asset-activities.

[20] *See e.g.*, IOSCO, *Policy Recommendations for Crypto and Digital Asset Markets – Final Report* (16 November 2023), available here: https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf.

[21] *See e.g.*, FATF, *Updated Guidance for a Risk-Based Approach to Virtual Assets and Virtual Asset Service Providers* (28 October 2021), available here: https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-rba-virtual-assets-2021.html.

[22] *See e.g.*, *See Executive Order on Strengthening American Leadership in Digital Financial Technology* (23 January 2025), available at: https://www.whitehouse.gov/presidential-actions/2025/01/strengthening-american-leadership-in-digital-financial-technology; U.S. Securities and Exchange Commission ("**SEC**"), *SEC Crypto 2.0: Acting Chairman Uyeda Announces Formation of New Crypto Task Force* (21 January 2025), available here: https://www.sec.gov/newsroom/press-releases/2025-30.

[23] U.S. President's Working Group on Digital Asset Markets, *Strengthening American Leadership in Digital Financial Technology* (July 2025), available at: https://www.whitehouse.gov/wp-content/uploads/2025/07/Digital-Assets-Report-EO14178.pdf.

In particular, the report recommended that the Basel Cryptoasset Standards can be improved in the following respects:[24]

- The Basel Cryptoasset Standards should take into account the fact that experimentation and testing with permissionless blockchains by regulated financial institutions suggest that technical solutions to mitigate the risks identified by the Basel Committee are being actively developed and implemented.

- Simplifying the Basel Cryptoasset Standards' current classification of cryptoassets into four groups.

- Applying a separate classification to traditional assets due to the use of a specific technology does not adhere to the principle of technology neutrality.

- The current treatment of tokenised traditional assets as cryptoassets may be misleading and may create unintended negative consequences.

- The Basel Cryptoasset Standards' distinction between Group 2a and Group 2b cryptoassets does not create a clear enough distinction between cryptoassets widely used for payment and investment purposes and other cryptoassets, such as memecoins.

- Stablecoins eligible for Group 1b treatment should be aligned with the requirements for regulated stablecoins set forth in the U.S. GENIUS Act.

- Simplifying the Basel Cryptoasset Standards' classification of Group 2 cryptoassets and addressing the treatment of cryptoassets outside of Group 2.

- The calibration of capital requirements for credit risk, market risk, operational risk and liquidity risk should incorporate empirical evidence of recent changes in cryptoasset performance and risk.

We note that a number of the recommendations made by the U.S. President's Working Group on Digital Asset Markets are analogous to the concepts reflected in the Proposals, such as recognising the fact that risks associated with permissionless blockchains can be effectively mitigated.

More recently, in March 2026, the three U.S. federal banking agencies (i.e., the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (FDIC)) jointly issued the Tokenised Securities FAQs. The core purpose of the Tokenised Securities FAQs is to provide the market with clear and consistent supervisory expectations on how banks should apply the existing U.S. bank capital rules to tokenised securities. Importantly, in relation to tokenised securities that, under applicable law, confer *legal rights* identical to those of the non-tokenised form of the security ("**eligible tokenised securities**"), the Tokenised Securities FAQs provided the following key clarifications:

[24] *Ibid*, at pages 82-83.

- U.S. bank capital rules are "technology neutral", and hence, the technologies used to issue and transact in a security do *not* generally impact its capital treatment.

- an eligible tokenised security should be **treated in the same manner** as the non-tokenised form of the security would be treated under the U.S. bank capital rules.

- U.S. bank capital rules do ***not*** provide a different treatment based on the use of permissioned or permissionless blockchains.

In light of the recommendations made by the U.S. government, the regulatory approaches adopted by the U.S. federal banking agencies, the recommendations in the Global Associations Joint Submission and recent cryptoasset market developments, there may be further recalibration of the Basel Cryptoasset Standards towards the adoption of a more technology-neutral approach. In this connection, we also note that the Basel Committee has announced that it has expedited a review of "targeted elements" of the global Basel Cryptoasset Standards and expects to provide an update later this year.[25] Indeed, the fast-evolving nature of the cryptoasset markets is such that the Basel Committee has already amended the Basel Cryptoasset Standards less than two years after they were first "finalised". In this respect, we welcome MAS' statement that it "*will continue to monitor developments in the cryptoasset landscape and global regulatory developments, with a view towards promoting harmonisation in the implementation of the cryptoasset standards internationally and ensuring the appropriateness of the prudential standards to the risks of cryptoasset exposures, while supporting responsible innovation in the digital asset ecosystem.*"[26]

5.2 Notification Requirements and Classification Assessment Materials

The Proposals require a bank to notify MAS at least one month prior to the date the bank intends to classify and treat a permissionless blockchain-based cryptoasset as a Group 1 cryptoasset during the interim period. When notifying MAS, the bank is also required to provide a written confirmation from the bank's executive officer responsible for risk management that the permissionless blockchain-based cryptoasset, along with its underlying blockchain, meets all the principle-based requirements and, if applicable, the deeming provisions. Furthermore, where the deeming provisions are not met, the bank must also demonstrate "*to MAS' satisfaction*" that the permissionless blockchain-based cryptoasset meets the principle-based requirements via "*other forms of safeguards*", and must "*seek MAS' prior approval*" before making such classification.

We respectfully submit that these requirements place significant compliance burdens on banks to provide prior notification and written confirmations and, where the deeming provisions are not met, to also submit additional supporting documents ("**Classification Assessment Materials**") and seek MAS' prior approval on a timely basis, especially since the proposed Group 1 prudential treatment for permissionless blockchain-based cryptoassets had already taken effect from the time of publication of the April 2026 Consultation Paper. In this regard, the Associations and our members would welcome

[25] *See* BIS Press release, *Basel Committee continues to prioritise Basel III implementation, approves final principles on third-party risks and agrees to expedite targeted review of cryptoasset standa*rd (19 November 2025), available at: https://www.bis.org/press/p251119.htm; BIS Press release, *Basel Committee discusses recent market developments and targeted review of cryptoasset standard* (25 February 2026), available at: https://www.bis.org/press/p260225.htm

[26] *See* MAS, *Response to Feedback Received P003-2025* (9 October 2025), available at https://www.mas.gov.sg/-/media/mas-media-library/publications/consultations/ppd/2025/response-to-consultation-paper-on-crypto-at1-and-tier2.pdf.

guidance from MAS regarding what form the Classification Assessment Materials should take. In particular, we welcome the opportunity to work with MAS to develop some common classification assessment templates, which would help streamline the preparation, submission and review of Classification Assessment Materials.

In particular, we also note that paragraph 2.15 of the April 2026 Consultation Paper requires a bank to submit a notification to MAS for "*each permissionless cryptoasset*" it wishes to classify and treat as a Group 1 cryptoasset. We respectfully submit that this requirement to conduct classification assessments and submit individual notifications for *each* individual cryptoasset may be overly granular and burdensome for banks. Therefore, in addition to allowing banks to rely on the classification assessments conducted by a regulated ETF issuer in respect of their *indirect* exposures to permissionless blockchain-based cryptoassets via ETFs[27], we request that MAS *also* clarify that banks may be permitted to conduct a single classification assessment for a *group* of permissionless blockchain-based cryptoassets that share the same underlying characteristics and operational mechanisms. For example, this may be particularly applicable to tokenised traditional assets where the underlying traditional assets are tokenised on the *same blockchain* and follow *the same structure and parameters* (e.g., tokenised equities such as Apple and IBM shares). In such cases, requiring a separate classification assessment for *each* underlying cryptoasset may be duplicative and unnecessary. Instead, allowing banks to conduct *group-level* classification assessments for certain *groups* of cryptoassets would reduce banks' operational burden while also maintaining appropriate risk oversight.

In addition, *after* a bank has submitted a notification to MAS in relation to its classification of a permissionless blockchain-based cryptoasset, we note that paragraph 2.15 of the April 2026 Consultation Paper also requires a bank to submit a *new notification* to MAS if there are "*any changes to the design of the permissionless cryptoasset or its underlying blockchain*." We respectfully request MAS to further clarify the meaning of "*design*" in this context. Specifically, we respectfully submit that a new notification should be required *only* where there is a *material adverse change* to the permissionless blockchain-based cryptoasset, smart contract or its underlying blockchain that adversely affects the risk assessment forming the basis on which the bank had originally assessed the permissionless blockchain-based cryptoasset as eligible for Group 1 treatment. This may include, for example, material adverse changes affecting legal rights, transferability, settlement finality, redeemability, reserve-redemption arrangements, AML/CFT controls, smart contract security, permissioning or operational resilience. By contrast, routine or beneficial protocol upgrades, non-material validator software updates, changes in validator composition, or ecosystem-level changes outside the bank's control should *not* automatically trigger a new notification unless they *materially and adversely* affect the satisfaction of the relevant classification conditions, relevant safeguards or the risk profile of the permissionless blockchain-based cryptoasset. This clarification is particularly important because whilst banks may monitor and assess material protocol developments, they do *not* generally control or have significant visibility over the public blockchain or its design or update processes.

5.3 Other comments and recommendations

We refer to the recommendations set out in the April 2025 ASIFMA MAS Submission and the Global Associations Joint Submission. We continue to believe that those recommendations should be reflected in the Proposals and, where applicable, the Basel Cryptoasset Standards. Therefore, we respectfully request that MAS take into account these recommendations when finalising the Proposals. Among other recommendations, in the April 2025 ASIFMA MAS Submission, we noted that MAS' proposals therein

[27] *See* section 4.2 of this letter for our detailed comments and recommendations on this point.

go beyond the globally agreed upon definition of "cryptoasset" set out in the Basel Cryptoasset Standards by covering not only assets and dematerialised securities that are "issued through DLT" but also assets and dematerialised securities that are merely "***represented through***" DLT. We recommend that MAS aligns with paragraph 60.2 of SCO60 of the global Basel Cryptoasset Standards and removes the reference to "*or represented*" in the definition of "cryptoasset". In addition, it would be helpful for MAS to clarify that the use of DLT as an electronic version of traditional registers and databases would not lead to the underlying traditional assets being treated as "cryptoassets".[28]

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[28] *See* section 4.4 of the April 2025 ASIFMA MAS Submission for further details of our recommendations on this point.

6 Conclusion

We believe that the April 2026 Consultation Paper represents a positive step forward for Singapore's ambition to be a global leader in digital assets. At the same time, we encourage MAS to continue to adopt a prudential framework for cryptoassets that remains flexible, future-proof, technology-neutral, and globally consistent, so as to foster local innovation and maintain Singapore's competitiveness against the backdrop of rapidly evolving technologies and cryptoasset market practices.

As Mr. Chia Der Jiun, Managing Director of MAS, stated: "*MAS set out to build an ecosystem where innovation can flourish*".[29] We are thankful for MAS and the Singapore Government's efforts to foster innovation and to create a coordinated regulatory framework for Singapore's growing cryptoassets ecosystem.

We are also supportive of MAS' efforts to put in place a regulatory regime that strikes an appropriate balance between safeguarding financial stability and embracing innovation. We believe that this delicate balance can be struck if the Basel Cryptoasset Standards — both at the global level, and as implemented in Singapore — can reflect the recommendations and clarifications described in this letter, the April 2025 ASIFMA MAS Submission and the Global Associations Joint Submission.

The Associations take this opportunity to convey our support and desire for continued constructive and ongoing dialogue between MAS and market participants to assist MAS in implementing the Basel Cryptoasset Standards in Singapore, including working with MAS to explore the interaction between the Basel Cryptoasset Standards and other aspects of the cryptoassets ecosystem.

We look forward to continued engagement with MAS on the issues set out in this consultation response. If you have further questions or would otherwise like to follow up, please contact Diana Parusheva-Lowery, Rishi Kapoor and Benoit Gourisse by telephone or email at the telephone numbers and email addresses set out under each of their respective signatures below.

We would also be happy to meet with you to discuss this consultation response if you deem it appropriate.

Sincerely,

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[29] *See* MAS, Speeches, *"Creating the Future of Finance: A Journey of Innovation and Collaboration" - Remarks by Mr Chia Der Jiun, Managing Director, MAS, at the Singapore FinTech Festival 2025 on 13 November 2025*, available at: https://www.mas.gov.sg/news/speeches/2025/creating-the-future-of-finance.

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