



MEMORANDUM CIRCULAR NO. 19-007, Series of 2019

Date: 17 September 2019

To: FINANCIAL TECHNOLOGY SOLUTIONS AND OFFSHORE
VIRTUAL CURRENCY EXCHANGE (FTSOVCE) LICENSEES

Subject: Moratorium on operations outside the Cagayan Special Economic Zone
and Freeport

WHEREAS, Section 41 and 42 of the *Financial Technology Solutions and Offshore Virtual Currency Business Rules and Regulations of 2018 of the Cagayan Economic Zone Authority (CEZA FTSOVCBRR of 2018)*

Section 41. Special Audit – The CEZA may, by written notice issued by the Office of the Administrator and given to the licensee, require the licensee to cause the books, accounts and financial statements for the operations conducted under its License to be audited for the period specified in the notice if the CEZA is satisfied that the licensee:

- a.) May have insufficient financial, technical or other resources to Offshore Virtual Currency business in accordance with its License and the provisions of this CEZA FTSOVCBRR of 2018; or
- b.) May have undertaken fraudulent acts or crime/s punishable under the Revised Penal Code of the Philippines in conducting FTSOVC business activities under its license; or
- c.) May have provided false or misleading reports under this CEZA FTSOVCBRR of 2018.

The audit shall be undertaken at the licensee's own expense within the period specified in the notice by an auditor qualified for appointment and approved by the CEZA.

The auditor shall give copy of the report to the CEZA immediately upon completion.

A Licensee that contravenes this section shall be liable to pay a fine of not exceeding Five Hundred Thousand United States Dollars (USD500,000.00) or its Philippine Peso equivalent.

Section 42. Investigation of Licensee – The CEZA may, at any time, conduct the investigations and make the inquiries which CEZA considers necessary to determine whether a Licensee:

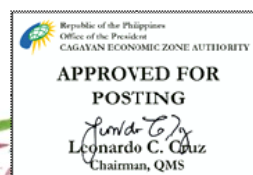
- a.) Is a suitable person to continue to hold a License or;
- b.) Is complying with the provisions of this CEZA FTSOVCBRR of 2018.

A licensee shall pay to CEZA the reasonable costs incurred by the latter in conducting any investigation and making any inquiry.

WHEREAS, present circumstances require that a review and investigation of each FTSOVCE Licensee is to be made and that the status of operations thereof be ascertained.



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WHEREAS, while previous manifestations with FTSOVCE licensees included the incubation period of two (2) years from issuance of licenses within which they can temporarily operate in Metro Manila, may it be noted that on 25 February 2019 marked the groundbreaking ceremonies of the *CEZA Cyberpark Project* signaling the commencement of its construction, which is projected to be completed and be ready for occupancy by July 2020. This project, among others, may house the operations and personnel of FTSOVCE licensees pursuant to the authority granted by their CEZA FTSOVCE Licenses and the regulations of the CEZA.

THEREFORE, in consideration of the above premises, all FTSOVCE licensees, including their respective authorized service providers, are hereby **DIRECTED** to suspend any transactions and operations outside the Cagayan Special Economic Zone and Freeport (CSEZFP) in Sta. Ana, Cagayan until further notice or until their operations be based and conducted inside the CSEZFP. All licensees are to be guided that other operations such as administrative, marketing, and IT development may still be done remotely in their home jurisdictions or in their CSEZFP facilities, if any.

Licensees are reminded that pursuant to Section 20 of the CEZA FTSOVCBRR of 2018, failure to comply with this directive may subject them to sanctions that may include monetary penalties, suspension, and/or cancellation.

For strict compliance.

CAGAYAN ECONOMIC ZONE AUTHORITY

For: **SECRETARY RAUL L. LAMBINO**
Administrator and CEO

By:


PCSUPT. AGRIMERO A. CRUZ, JR. RET., CSEE
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