



**THE CAGAYAN SPECIAL ECONOMIC ZONE AND
FREEPORT FINANCIAL TECHNOLOGY SOLUTIONS
AND OFFSHORE VIRTUAL CURRENCY BUSINESS
RULES AND REGULATIONS OF 2018**

Pursuant to Republic Act No. 7922 or "The Cagayan Special Economic Zone Act of 1995", BE IT ADOPTED by the Board of Directors of the Cagayan Economic Zone Authority (CEZA), as follows:

RULE I.

PRELIMINARY PROVISIONS

Section 1. Title – These Rules and Regulations shall be cited as the Financial Technology Solutions and Offshore Virtual Currency Business Rules and Regulations of 2018 of the Cagayan Economic Zone Authority (CEZA) or the "CEZA FTSOVCBRR of 2018," for brevity.

Section 2. Application and Objectives. – This CEZA FTSOVCBRR of 2018 authorizes the creation of a CEZA Financial Technology Solutions and Offshore Virtual Currency Exchange Hub (CEZA Fintech Hub) and a CEZA Central Audit System, both domiciled within the Cagayan Special Economic Zone and Free Port (CSEZFP), and shall apply to all Financial Technology Solutions and Offshore Virtual Currency (FTSOVC) business related activities of local and offshore companies with the support of authorized service providers that have certificate of registrations or licenses issued by CEZA.

This CEZA FTSOVCBRR of 2018 shall have the following objectives:

- a) To provide a lawful basis for regulation and control of Financial Technology Solutions and Offshore Virtual Currency (FTSOVC) business related activities as a means of attaining the objectives of Republic Act No. 7922 and of promoting and preserving economic development, self-sufficiency, peace and order, and good government;
- b) To ensure the fair, honest, and responsible conduct of FTSOVC business related activities;
- c) To ensure verifiable and secure financial transactions which can aid the proper audit and



collection of license fees, levy, and taxes as may be assessed in the conduct of FTSOVC business related activities;

- d) To ensure that adequate safeguards are established and enforced to prevent FTSOVC business related activities to be used as conduits for money laundering activities or otherwise being associated in any way with crime or criminality;
- e) To ensure fair treatment of participants of FTSOVC activities; and
- f) To aid the preventive measures for digital financial fraud and protect persons from other potential harms of FTSOVC business related activities.

Section 3. Definition of Terms – For purposes of this CEZA FTSOVCBRR of 2018:

"Administrator" means the Administrator of the Cagayan Economic Zone Authority;

"Approved agent" means a person or persons approved by CEZA to carry out any of the functions set forth in this CEZA VCBRR for and in behalf of CEZA;

"Approved form" means a form approved by the CEZA for use herein;

"Authorized service provider" means a foreign or locally registered company with certificate of registration (COR) issued by CEZA, created specifically to provide support services to FTSOVC business licensees. Support services may include the following:

- i. Customer support services;
- ii. Server and website management and maintenance;
- iii. Transactions monitoring and reporting;
- iv. Data Center;
- v. Telecommunications;
- vi. Security Services (Electronic and Physical);
- vii. Software Development Services; and
- viii. Hosted Office Solutions Services.



"Cagayan Economic Zone Authority (CEZA)" means the governing body of the CSEZFP, its board of directors, charged to exercise the powers of the CSEZFP pursuant to Section 7 in relation to Section 6 of Republic Act No. 7922;

"Close associate" of an applicant for a license, means:

- a) A director or an executive officer of the applicant;
or
- b) A shareholder of the applicant; or
- c) An authorized broker of the applicant; or
- d) A person who CEZA reasonably believes will, if a license is granted to the applicant, be associated with the ownership or management of the licensee's operations;

"Conduct" includes promote, organize, trade, exchange, and or operate;

"Control system" means a system of internal controls and administrative and accounting procedures for the conduct of Financial Technology Solutions and Offshore Virtual Currency business by a licensee;

"CSEZFP" refers to the Cagayan Special Economic Zone and Freeport as a separate customs territory covering the entire area embraced by the Municipality of *Sta. Ana* and the islands of *Fuga, Barit, and Mabbag* in the Municipality of *Aparri*, all in the province of Cagayan;

"Cyber Security Event" means any act or attempt to gain unauthorized access, misuse, or modification of a participant's electronic systems or information stored in such system;

"Distributed Ledger Technology", such as Blockchain, means an incorruptible digital ledger programmed to record any transaction of value. The digital ledger is a distributed database that allows participants to create, disseminate, and store transaction records that are consensually shared and synchronized across a network of nodes. The copies of records stored in all the database nodes are regarded as equally authentic. The ledger hence provides access to a full audit trail of transactional history, which can be traced back to the moment when a piece of information or record of transaction was made for the first time;



“Electronic data processing system” means a system of computers and related devices that are used to analyze, organize, store, retrieve, and manipulate data, and to report the results of those operations;

“Executive officer” of a company, means a person who is concerned with, or takes part in, the company's management, whether or not the person is a director or the person's position is given the name of executive officer;

“Fiat Currency” means government-issued currency that is designated as legal tender in its country of issuance through government decree, regulation, or law;

“Inspector” means a person who is charged by CEZA to conduct inspection to ensure proper implementation of this CEZA FTSOVCBRR of 2018;

“Law enforcement agency” means:

- a) The Philippine National Police; or
- b) Any other Police Force outside the Philippines; or
- c) The Security Force of CEZA; or
- d) Any other body within or outside the Philippines with law enforcement functions

“License” means a license issued under this CEZA FTSOVCBRR of 2018 for the conduct of Financial Technology Solutions and Offshore Virtual Currency type of business activities or operations as a Financial Technology Solution Service Enterprise, an Offshore Virtual Currency Exchange Principal Licensee, or an Offshore Virtual Currency Exchange Regular Licensee;

“Licensee” means a company that is licensed under this CEZA FTSOVCBRR of 2018 for the conduct of Financial Technology Solutions Offshore Virtual Currency type of business activities or operations through an authorized service provider;

“Certificate of Registration” means the certificate issued by CEZA to a foreign or local registered company applying to do business in the CSEZFP as an authorized service provider for



Financial Technology Solution Service enterprises and Offshore Virtual Currency Exchanges;

“Participant” means an individual, corporation, or entity participating in the Financial Technology Solutions and Offshore Virtual Currency type of business activities or operations under this CEZA FTSOVCBRR of 2018 but who is not a licensee;

“Qualified Custodian” means an offshore banking unit that was subjected to the registration and authorization process under this CEZA FTSOVCBRR of 2018;

“Regulator” means the Cagayan Economic Zone Authority (CEZA) and its approved agent/s;

“Regulations” means regulations made under this CEZA FTSOVCBRR of 2018;

“Transmission” means the transfer, by or through a third party, of virtual currency between a licensee/participant and a licensee/participant, including the transfer from the account or storage repository of a licensee/participant to the account or storage repository of another licensee/participant;

“Value” means assets, holdings and other forms of ownership, rights or interests, with or without related information, such as agreements or transactions for the transfer of value or its payment, clearing or settlement.

“Financial Technology Solutions” means financial sector innovations involving technology enabled business models that can facilitate disintermediation; revolutionize the creation and delivery of financial products and services; address privacy, regulatory and law-enforcement challenges; provide new gateways for entrepreneurship; and seed opportunities for inclusive growth. These innovations involve financial solutions of all kinds – such as, but not limited to payment; money transfer; lending; crowdfunding; venture capital; banking; trading; investing; stock, future, and commodities exchanges; auditing; asset management; compliance; data storage and authentication; insurance; and risk management.

“Financial Technology Solutions Business Enterprise” or *“FTSBE”* – means an organization domiciled at, licensed and



authorized by CEZA as an entity that is engaged in the business of providing Financial Technology Solutions.

“Financial Technology Solutions Service Enterprise” means an organization domiciled at, licensed and authorized by CEZA as an entity that provides a nexus of operational and business rules; integrated technology architecture and engines; and channel access that facilitates exchange between two or more interdependent groups, usually consumers and producers of Financial Technology Solutions.

“Virtual Currency or VC” means any type of digital unit that is used as a medium of exchange or a form of digitally stored value which may be considered as:

- (i) Value for the purchase or lease of goods, or payment in exchange of services against unspecified persons; which may be purchased from or sold to unspecified persons; and are transferrable through an electronic data processing system; Provided, however, that such value is limited to those recorded on an electronic device, in an electronic form, and does not include fiat currencies, or assets denominated by such currencies;
- (ii) Value that is mutually exchangeable with the value in item (i) against unspecified persons, which is transferrable by an electronic data processing system.

Virtual Currency shall be broadly construed to include digital units of exchange that (i) have a centralized repository or administrator; (ii) are decentralized and have no centralized repository or administrator; or (iii) may be created or obtained by computing or manufacturing (mining) effort.

Virtual Currency shall not be construed to include any of the following:

- a) digital units that (i) are used solely within online gaming platforms, (ii) have no market or application outside of those gaming platforms, (iii) cannot be converted into, or redeemed for, Fiat Currency or Virtual Currency, and (iv) may or may not be redeemable for real-world goods, assets, services, or



benefits; and

- b) digital units that can be redeemed for goods, assets, services, or benefits as part of a customer affinity or rewards program with the issuer and or other designated merchants or can be redeemed for digital units in another customer affinity or rewards program, but cannot be converted into, or redeemed for, Fiat Currency or Virtual Currency.

“Offshore Virtual Currency Exchange Service” shall mean any of the following conversions that take place outside the Philippines:

- a) Conversion or exchange of fiat currency into virtual currency;
- b) Conversion or exchange of virtual currency into fiat currency; or
- c) Conversion or exchange of one form of virtual currency into another form of virtual currency.

“Offshore Virtual Currency Exchange” or *“OVCE”* means an organization domiciled at, licensed and authorized by CEZA to develop, operate, and manage a platform equipped with distributed ledger technology that shall offer offshore virtual currency exchange and transmission services conducted outside the Philippines.

“CEZA Central Audit System” is a system equipped with distributed ledger technology to ensure the proper audit, collection, and payment of all license fees, taxes levies, and other remunerations due CEZA and the Philippine Government for the privilege of operating FTSOVCBRR activities within the Zone.

“CEZA Financial Technology Solutions and Offshore Virtual Currency Exchange Hub or CEZA Fintech Hub” means the effective center for all FTSOVCBRR operations within the CSEZFP and where all the major facilities of FTSOVCBRR licensees are housed.

RULE II. FINANCIAL TECHNOLOGY SOLUTIONS AND OFFSHORE VIRTUAL CURRENCY BUSINESS ACTIVITY



Section 4. Definition – Financial Technology Solutions and Offshore Virtual Currency Business Activity or “FTSOVC Business Activity” refers to any one of the following types of activities that take place outside the Philippines:

a.) The use of:

- i. Digital Ledger Technology for storing or transmitting value belonging to others.

Value for the purpose of this subsection shall refer to assets, holdings and other forms of ownership, rights or interests, with or without related information, such as agreements or transactions for the transfer of value or its payment, clearing or settlement.

- ii. Any other software, systems, and platforms for the creation and delivery of financial technology products and solutions.

b.) The conduct of:

- i. VC-based transactions, such as, but not limited to:
 1. Receiving Virtual Currency (VC) for transmission or transmitting virtual currency;
 2. Storing, holding, or maintaining custody or control of VC on behalf of others;
 3. Trading or buying and selling VC as a customer business;
 4. Performing offshore exchange services as a



customer business; or
controlling, administering,
or issuing a VC.

- ii. an intermediary, brokerage or agency service for the acts described in (i);
 - iii. management or custody of a fiat currency or VC on behalf of the users or recipient in relation to the acts described in (i) and (ii).
- c.) The maintenance of data centers within the CSEZFP to service FTSOVCE operations contemplated herein.

The development and dissemination of software does not constitute FTSOVC Business Activity as contemplated in these Rules.

RULE III LICENSING PROCESS

Section 5. License Requirement – No person shall conduct any FTSOVC business activity in the CSEZFP unless approved by and pursuant to a valid certificate of registration and license issued by CEZA under this CEZA FTSOVCBRR of 2018.

Licensees and authorized service providers are responsible for ensuring that their operators conform to the compliance programs provided for in Article IV of these rules, and applicable laws of the Philippines;

A person that contravenes this section shall be liable to pay a fine as follows:

- a) If the person is an individual - by a fine not exceeding One Hundred Thousand United States Dollars (USD100,000.00) or its Philippine Peso equivalent;
- b) In any other case - by a fine not exceeding Five Hundred Thousand United States Dollars (USD500,000.00) or its Philippine Peso equivalent.

Section 6. Financial Technology Solutions and Offshore Virtual Currency Business Licensee – Any and all applicants for a FTSOVC business license shall comply with the



following requirements:

- a.) Application for New License - An applicant for a new FTSOVC business license must comply with or submit the following requirements:
 - i. Submission of Letter of Intent;
 - ii. Submission of Business Plan and Investment Commitment amounting to at least One Million United States Dollars (USD1,000,000.00), spread for two (2) years, in the CSEZFP, exclusive of all fees and bonds required by CEZA and other government agencies in connection with the License;
 - iii. Duly accomplished Application Form, under oath, with proof of payment of application and processing fee;
 - iv. Must be a duly constituted Financial Technology Solutions Business Enterprise or Offshore Virtual Currency Exchange organized and registered in its home jurisdiction, or as provided under these regulations;
 - v. Staffing and organizational structure, which demonstrates the ability to conduct the FTSOVC business activities properly and reliably throughout the term of its license;
 - vi. Latest audited financial statements and other registration documents and permits;
 - vii. Established internal rules concerning its Financial Technology Solutions and or Offshore Virtual Currency Exchange business activities;
 - viii. Completed Personal Disclosure Statement forms as may be prescribed and amended by CEZA from time to time in compliance with Know Your Client (KYC) and Anti-Money Laundering (AML) rules and Policies;
 - ix. Submission by Each Company of their Internal Rules and regulations



- x. complying with KYC and AML;
Compliance with Rules under the Data Privacy Act of the Philippines;
- xi. Form of contracts with its customers and service providers, if any;
- xii. Claim handling and dispute resolution measures;
- xiii. Have the technological capability to connect to the CEZA Central Audit System;
- xiv. A notarized commitment to locate/operate its FTSOVC Business in the CSEZFP;
- xv. Submit to the following assessment requirements under subsection (b) hereof;
- xvi. Appoint a Close Associate with Senior Management authority, within thirty (30) days from issuance of Provisional License. The Close Associate must be a Filipino citizen or a permanent resident in the Philippines;
- xvii. Maintain appropriate insurance coverage including the applicable industrial or business risk insurance covering physical loss and damage, and Comprehensive General Liability Insurance, for such period, the amount and manner for which as agreed upon with the CEZA;
- xviii. The Principal Licensee shall put up a bond in favor of CEZA in an amount not less than One Hundred Thousand United States Dollars (USD100,000.00) in the manner as agreed with CEZA to answer for any obligation that may be incurred by CEZA due to any act or omission by the Principal Licensee or its Regular Licensee to ensure its faithful observance of the terms and conditions of the license; and
- xix. Payment of a non-refundable application fee as prescribed under Section 7 of this CEZA FTSOVCBRR



of 2018 and as may be amended from time to time and paid directly to CEZA.

- b.) The applicant must submit to the following minimum pre-registration assessment requirements and other processes as may be required by the CEZA:
- i. Probity check on applicant's identity and each of the key officials of the corporate applicant in terms of finances, integrity, competence and criminal records;
 - ii. Review of applicant's business plan and investment commitment in the CSEZFP;
 - iii. Review of applicant's Compliance Programs, as defined in these Rules ; and
 - iv. Review of applicant's statutory and operational documentations.
- c.) Annual Renewal of License – Any existing Licensee who intends to renew its FTSOVC Business License shall submit the following requirements, sixty (60) days prior to the expiration of its license :
- i. Updated business plan;
 - ii. Updated Compliance Programs;
 - iii. Updated Investment Commitment
 - iv. Payment of an annual business association fee of Five Thousand United States Dollars (USD5,000.00)
- d.) Application for Authorized Services Provider – An application for a Certificate of Registration (COR) for Authorized Services Provider shall:
- i. Be submitted directly to CEZA, coursed through the Administrator;
 - ii. Be in such form as prescribed by CEZA or its approved agent;
 - iii. Include a business plan of the local company and Service Agreement between the local and foreign company;
 - iv. Include Compliance Programs, as defined in



these Rules, which shall include a sound risk management policies and practices geared towards the promotion of high ethical and professional standards;

- v. Include a notarized commitment to locate/operate its business in the CSEZFP; and
 - vi. Be accompanied by a non-refundable application fee as prescribed under Section 6 of this CEZA FTSOVCBRR of 2018 and paid directly to CEZA.
- e.) A Principal Licensee shall maintain at all times a minimum authorized capital stock amounting to of Five Hundred Thousand United States Dollars (USD 500,000.00) and a paid-in capital of at least Two Hundred Thousand United States Dollars (USD200,000.00),
- f.) Each Licensee shall appoint a close associate to reside in the CSEZFP.
- g.) Each Licensee shall establish a physical office within the CSEZFP.

Additional information or documents that are necessary and reasonable to enable CEZA to evaluate the application may, by written notice from the Administrator, be required from the applicant. The notice shall specify the period for the submission of the additional requirements, which shall not be less than fifteen (15) calendar days from receipt of the notice.

Should an applicant submit an application, information, or document which are false, fraudulent, or misleading in any material particular, such applicant shall be liable to pay a fine not exceeding Ten Thousand United States Dollars (USD10,000.00) or its Philippine Peso equivalent.

Section 7. Financial Technology Solutions and Offshore Virtual Currency Business Fees – The CEZA shall impose the following fees for FTSOVC business related activities in the CSEZFP:

- a.) A Financial Technology Solutions Business or Service Enterprise shall pay to CEZA a one-time, non-refundable, application and



processing fee in the amount of Twenty Thousand United States Dollars (USD20,000.00) or its Philippine Peso equivalent. Upon approval of its application for license, the Licensee shall pay a one-time License Fee in the amount of Thirty Thousand United States Dollars (USD30,000.00) or its Philippine Peso equivalent and shall post an annual Financial Technology Solutions and or Offshore Virtual Currency business association fee in the amount of Five Thousand United States Dollars (USD5,000.00) or its Philippine Peso Equivalent prior to the issuance of its license.

- b.) A Principal OVCE Licensee shall pay to CEZA a one-time, non-refundable, application and processing fee in the amount of One Hundred Thousand United States Dollars (USD 100,000.00) or its Philippine Peso equivalent. Upon approval of its application for license, the Licensee shall pay a one-time License Fee in the amount of One Hundred Fifty Thousand United States Dollars (USD 150,000.00) or its Philippine Peso equivalent and shall post an annual Financial Technology Solutions and or Offshore Virtual Currency business association fee in the amount of Five Thousand United States Dollars (USD5,000.00) or its Philippine Peso Equivalent prior to the issuance of its license.
- c.) A Regular OVCE Licensee shall pay to CEZA a one-time, non-refundable, application and processing fee in the amount of Twenty Thousand United States Dollars (USD20,000.00) or its Philippine Peso equivalent. Upon approval of its application for license, the Licensee shall pay a one-time License Fee in the amount of Thirty Thousand United States Dollars (USD30,000.00) or its Philippine Peso equivalent and shall post an annual Financial Technology Solutions and or Offshore Virtual Currency business association fee in the amount of Five Thousand United



States Dollars (USD5,000.00) or its Philippine Peso Equivalent prior to the issuance of its license.

- d.) For Authorized Service Providers, a one-time, non-refundable, application and processing fee shall be in the amount of Ten Thousand United States Dollars (USD10,000.00) or its Philippine Peso equivalent. The annual renewal fee shall be in the amount of Five Thousand United States Dollars (USD5,000.00) or its Philippine Pesos equivalent.

Section 8. Transaction Fee Sharing Agreement – The FTSOVC transaction fees shall be shared between CEZA and the Licensee in the following manner:

- a.) A fee of 4% of the net annual business transaction value generated by Financial Technology Solutions services, will be divided as follows:

70% to Central Audit System
30% CEZA

- b.) A recurring fee of 0.1% of each transaction value generated by Offshore Virtual Currency Exchange services, or 10,000 USD per month whichever is higher, will be divided as follows:

70% to Central Audit System
30% CEZA

Section 9. Surcharge for Late Payment of Fees – A Licensee shall pay to CEZA a fee prescribed under Section 7 of this CEZA FTSOVCBRR of 2018 for the grant of license and on each anniversary of the date the license was granted.

A Licensee that fails to pay such fees on the due date is also liable to pay a surcharge equal to five percent (5%) of the prescribed fee. The fee and the surcharge are debts due to CEZA and CEZA may recover the debts through appropriate legal actions in a court of competent jurisdiction.



Section 10. Payment and Return for the Calculation of FTSOVC Transaction Fee Share – A Licensee shall pay the transaction fee share within fifteen (15) calendar days upon receipt of billing invoice from the respective department of CEZA.

A Licensee shall provide to CEZA the information needed for calculating the transaction fee share for five (5) calendar days following the month in respect of which the profit was made. The information shall be in an approved form.

A Licensee that contravenes this section shall be liable to pay a fine of not exceeding Five Hundred Thousand US Dollars (USD500,000.00) or its Philippine Peso Equivalent. A second contravention shall result to the cancellation of license.

Section 11. Penalty for Late Payment and Underpayment – the failure of a Licensee to timely pay to CEZA the transaction fee share will merit the imposition of a fine not exceeding Five Hundred Thousand US Dollars (USD500,000.00) per month of delay, wherein a portion of a month shall be considered as a full month. A second contravention shall result to the cancellation of the OVCE License.

The respective penalty shall be as follows:

- a.) Two percent (2%) of the unpaid amount;
- b.) An interest of one percent (1%) of the unpaid amount for each month or a part of the month during which the unpaid amount is not paid;
- c.) If any underpayment thereof is due to fraud or concealment on the part of the Licensee, an additional surcharge shall be imposed at 300% of the unpaid amount including interest; and
- d.) Licensee's failure/refusal to pay for a period of three (3) consecutive months from due date will cause the immediate suspension of the OVCE License. Further failure/refusal of the Licensee to pay within a period of three (3) consecutive months from the suspension of its license shall cause the revocation of the license, without prejudice to the payment of all penalties and interest.



Section 12. Recovery of Account – The amount of the fees and any penalty payable herein are debts due to CEZA by the Licensee and may be recovered by CEZA by action in a court of competent jurisdiction.

Section 13. Grant or Denial of Application – The CEZA may either grant or deny the application within thirty (30) days after receiving the application or the requested additional data or documents.

CEZA, through the office of the Administrator, shall issue the License or COR to the applicant within seven (7) days from its decision to grant the application. CEZA, through the office of the Administrator, shall give the applicant a written notice of its decision should it decides to deny the application for a License or COR.

Section 14. Determination of Suitability of Applicant – In deciding whether an applicant is suitable to hold a License or COR to conduct FTSOVC Business Activities under this CEZA FTSOVCBRR of 2018, CEZA shall consider the following:

- a.) The character, business reputation and financial background of each close associate of the applicant;
- b.) The applicant's current financial position and whether the applicant has the financial, technical and other resources to conduct a Financial Technology Solutions or Offshore Virtual Currency business under a License;
- c.) Whether the financial resources of the applicant are available from a source that is not tainted with illegality;
- d.) Whether the applicant has in place a satisfactory corporate, ownership or trust structure;
- e.) The experience and business ability of the persons who will be involved in the management or operation of the applicant's operations;
- f.) The applicant is committed to physically locating/operating in the CSEZFP;
- g.) The applicant for a principal license is



committed to invest the amount in United States Dollars: One Million (US\$1,000,000.00), spread for two (2) years, in the CSEZFP exclusive of all the fees and bonds required by CEZA and other government agencies in connection with its license;

- h.) The applicant shall follow policies and take affirmative steps to prevent money laundering and other suspicious transactions associated with FTSOVC business activities; and
- i.) The applicant shall comply with the policies and directives that CEZA deems appropriate.

Section 15. Investigation in Relation to Application – CEZA may conduct investigations and inquiries, which CEZA considers necessary, before final determination is made whether to grant an applicant the License, or COR.

CEZA may obtain from a Law enforcement agency a report on any individual who:

- a.) Is a close associate of the applicant; or
- b.) Is or will be involved in the management or operation of the applicant's operations.

For purposes of this section, CEZA, may require from an individual applicant or the authorized representative, in the case of an applicant corporation, to have his or her photograph, finger prints and palm prints taken. An applicant who fails to comply with the said requirement shall be liable to pay a fine of not exceeding Fifty Thousand United States Dollars (USD50,000.00) or its Philippine Peso equivalent.

Section 16. Applicants Licensed in Approved Jurisdictions

– Any entity conducting Financial Technology Solutions and or Offshore Virtual Currency business wholly or partially within a licensed jurisdiction recognized by CEZA may be granted a provisional license immediately upon submission of application requirements and payment of the required fees.

CEZA, through the Office of the Administrator, may grant a License to such an existing financial technology solutions service or offshore virtual currency exchange if it can be shown that they have been operating within a jurisdiction with



controls and regulations on Financial Technology Solutions, and or Offshore Virtual Currency business comparable to these regulations to ensure the integrity of the FTSOVC business and the suitability of the operations. CEZA must be satisfied that the applicant is committed to, and can demonstrate the applicant commitment to:

- a.) Prevent money laundering, financing of terrorism and detect suspicious transactions;
- b.) Maintain and enforce data privacy, data protection, and cyber security programs in connection with its Financial Technology Solutions and Offshore Virtual Currency business; and
- c.) Overall fairness and transparency in conducting Financial Technology Solutions and Offshore Virtual Currency business activities.

If upon commencement of the Participant's operations, the Participant is deemed in contravention of any provision of these regulations and upon written notice thereof from CEZA, such Participant shall:

- a.) Give written details of the contravention to CEZA within one (1) month after commencement of operations;
- b.) Rectify the contravention within one (1) month from the date of the commission of the contravention, or such other period as CEZA approves in writing, after commencement of operations.

No compensation shall be demandable against CEZA by an existing operator on any loss or damage suffered by the operator that:

- a.) Arises from the Participant rectifying a contravention of this CEZA FTSOVCBRR of 2018; or
- b.) Arises as a result of the Participant having its license suspended or revoked after failing to rectify a contravention of this CEZA FTSOVCBRR of 2018; or
- c.) Arises as a result of the Participant having its license suspended or revoked.



Section 17. Appeal – An applicant for a License, or a licensee, as the case requires, may appeal to CEZA against the following decisions of the Office of the Administrator:

- a.) Refusal to grant a License;
- b.) Imposition of terms and conditions on any License;
- c.) Suspension or revocation of a License;
- d.) Refusal to rescind the suspension of a License;
- e.) Refusal to renew a License;
- f.) Refusal to approve a transfer of a License;
- g.) A decision or recommendation prescribed by the CEZA Administrator as a decision or recommendation in respect of which an appeal can be made.

An appeal shall be made not more than fifteen (15) calendar days after the date on which the appellant is notified of the decision appealed against or within such further period as CEZA may allow.

CEZA may:

- a.) Refer the matter back to the Office of the Administrator with directions to reconsider the whole or any specified part of the matter; or
- b.) Confirm, reverse or modify the decision appealed against, and make such orders and give such directions as may be necessary to give effect to the decision of CEZA.

Section 18. Terms and Conditions of License – The Office of the Administrator, must determine the terms and conditions of the License.

- a.) The Administrator shall determine the terms of the license which shall include but not be limited to the following matters:
 - i. The period of a License shall continue depending on its renewal or termination after an annual evaluation of the licensee.
 - ii. CEZA, upon the recommendation of the Approved Agent, may include in a License any other terms



and conditions that are necessary or desirable the public interest, within the standards for the proper conduct of FTSOVC business activities.

- iii. The Licensee must also have the status of a CEZA Enterprise/Locator as governed by the other CEZA Rules and Regulations
 - iv. The Office of the Administrator may:
 1. Vary the terms and conditions of a License; or
 2. Impose further terms and conditions of a License.
 - v. Before changing the conditions of a License, the Office of the Administrator, must notify the licensee in writing of the proposed change and give the licensee at least fifteen (15) calendar days within which to make comments or proposals in writing to the Administrator.
 - vi. The Office of the Administrator shall:
 1. Take into account any comments or proposals made by the licensee in making the decision to change the terms and conditions of a license; and
 2. Give the licensee written notice of any change to the terms and conditions of its License.
 3. The conditions of a License shall include conditions requiring the holder of the License to provide security and to maintain such deposits and reserves, as are specified or determined in accordance with the License for the payment of debts arising out of the Financial Technology Solutions and Offshore Virtual Currency business conducted by the Licensee.
- b.) Provisional OVCE Principal License – the CEZA shall authorize the Licensee to establish, operate, conduct, and maintain OVCE and Transmission services, transactions, and conversions, using a platform equipped with Distributed Ledger Technology



("Blockchain"), which are conducted outside of Philippine jurisdiction at the CSEZFP. This authority shall include the authority to issue Initial Coin Offerings or Token Generation Events conducted and transacted outside of Philippine jurisdiction ("Provisional Principal License").

- i. The Provisional License shall be granted for a period of two (2) years from its issuance;
- ii. The Provisional License grants the Licensee the right and obligation to endorse four (4) OVCE Regular Licensees to the CEZA, subject to the processing with and approval of the CEZA;
- iii. The Provisional Principal License holder has the authority to conduct Initial Coin Offerings or Token Generation Events and Offshore Virtual Currency Exchange activities. Regular Licensees are restricted to only one type of activity; and
- iv. The Provisional Principal Licensee warrants that all Regular Licensees under its license shall comply with all the terms and conditions of the Licensing Agreement and these Rules.

Section 19. Form of License or Authorization– A License or Certificate of Registration, shall be in the form approved by the CEZA.

The approved form shall include the following particulars:

- a.) The name, address, telephone number, fax number and email address of the License holder, or COR holder;
- b.) The address of the premises from which the License holder will conduct Financial Technology Solutions and or Virtual Currency related activities;
- c.) The description of the authorized Financial Technology Solutions and or Offshore Virtual Currency business to conduct;
- d.) Commencement and termination dates of the license or COR;
- e.) A clause stating that CEZA and its employees and agents are not liable for any damages, losses, costs



or liabilities incurred by a License holder or COR holder;

- f.) A clause stating that the License or COR holder agrees to indemnify the CEZA against any claims, demands or actions and any resulting damages, awards or costs (including legal costs) brought by any third party against the CEZA in relation to the acts or omissions of a License, or COR holder; and
- g.) Any other terms and conditions that are in the public interest and CEZA, in its sole discretion, considers necessary or desirable for the proper conduct of Financial Technology Solutions and or Offshore Virtual Currency business;

Section 20. Suspension and Revocation of License – CEZA, through the Office of the Administrator, may suspend or revoke a License if:

- a.) CEZA is satisfied on reasonable grounds that:
 - i. The Licensee is no longer a suitable entity to hold a License;
 - ii. The License was issued on the basis of materially false or misleading information or documents;
 - iii. Following an investigation by the CEZA, an inspector or an audit, the licensee has insufficient financial resources to conduct Financial Technology Solutions and Offshore Virtual Currency business in accordance with its License and it is in the public interest to suspend or revoke the License; or the licensee is in violation of any provision contained herein;
 - iv. The Licensee is bankrupt, has compounded with creditors or otherwise taken, or applied to take, advantage of any law about bankruptcy, or is affected by "**Control Action.**" For the purpose of this sub-section, a Licensee is



affected by Control Action if the Licensee is subject to, whether voluntary or involuntary, as applicable, dissolution, liquidation, rehabilitation, receivership, winding-up, the appointment of an administrator, liquidator, receiver or receiver and manager under the Corporation Code of the Philippines and other applicable laws;

- v. The Licensee habitually violates and fails to conform with the best international norms and standards as determined and adopted by CEZA through its rules, regulations, orders, or decisions; In this context, habitual violation or non-conformity shall mean that the Licensee violated or failed to conform with its License Agreement or these Rules for at least three (3) instances;
- vi. The Licensee or any of its Close Associates has committed a crime or offense punishable under the Revised Penal Code or other Special Laws, the nature and circumstances of which, in the opinion of CEZA, relate to the management or operation of the Licensee's OVCE Services or FTSOVC-related Business Activities; or
- vii. The Licensee is in **gross** violation of any provisions of its License Agreement;

If the CEZA intends to suspend or revoke a License, CEZA, through the Office of the Administrator, shall notify the licensee in writing of the proposed suspension or revocation and give the licensee at least fifteen (15) calendar days in which to make submissions of its explanation in writing to CEZA, through the Office of the Administrator.



CEZA and the Office of the Administrator shall take into account any submissions made by the licensee in deciding whether to suspend or revoke the License.

CEZA and the Office of the Administrator shall give the licensee written notice of any suspension or revocation of its License.

Section 21. Preventive Suspension – CEZA, through the Office of the Administrator may immediately suspend a License immediately for a period of not exceeding ninety (90) calendar days if CEZA has knowledge and evidence which suggests that:

- a.) A ground exists to suspend or revoke the License; and
- b.) The circumstances are so extraordinary that it is imperative to suspend the License immediately to ensure that the public interest is not adversely affected.

The suspension shall be effected by a written notice by the Office of the Administrator given to the licensee, operates immediately once the notice is given, and continues to operate until CEZA, through the Office of the Administrator, lifts the suspension or the effectivity of the suspension expires, whichever comes first.

Section 22. Effects of Suspension and Revocation of License – An entity whose License is suspended or revoked shall cease to conduct all Financial Technology Services and Offshore Virtual Currency business while the suspension or revocation is in force.

CEZA, through the Office of the Administrator, may rescind the suspension of a License or upon application for its rescission in writing by the entity concerned.

The suspended licensee shall resume its Financial Technology Solutions and or Offshore Virtual Currency business when the suspension is rescinded in writing or when the period thereof expires.

The cancellation or suspension of a license does not affect any liability for wrong or omission made before the date of the



suspension or revocation takes effect.

The liability of the holder of a License to pay any fee or FTSOVC business duty continues during the period when the License is suspended.

Section 23. Surrender of License – The CEZA, through the Office of the Administrator, may approve the surrender of a License upon application for its rescission in writing by the licensee. The surrender of a License shall not affect any liability for any wrong or omission made before the date on which it ceases to have effect.

CEZA, through the Office of the Administrator, may impose conditions relating to the surrender of a License, including conditions that apply after the surrender and the former licensee must comply with those conditions.

A former Licensee that fails to comply with any condition imposed in this section shall be liable to pay a fine of not exceeding One Hundred Thousand United States Dollars (USD 100,000.00) or its Philippine Peso equivalent and other corresponding penalties as may be imposed under this FTSOVCBRR of 2018 and other regulations.

Section 24. Renewal of License – A licensee shall apply in writing to CEZA, through the Office of the Administrator, to renew its License not less than sixty (60) calendar days before the day on which the License expires.

CEZA, through the Office of the Administrator may refuse to renew a License on any ground under this CEZA FTSOVCBRR of 2018 upon which the Office of the Administrator may suspend or revoke the License.

The circumstances are so extraordinary that it is imperative to suspend the License immediately to ensure that the public interest is not adversely affected.

The suspension shall be effected by a written notice by the Office of the Administrator given to the licensee, operates immediately once the notice is given, and continues to operate until CEZA, through the Office of the Administrator, lifts the suspension or the effectivity of the suspension expires, whichever comes first.



Section 24. Effects of Suspension and Revocation of License

– An entity whose License is suspended or revoked shall cease to conduct all Financial Technology Services and Offshore Virtual Currency business while the suspension or revocation is in force.

CEZA, through the Office of the Administrator, may rescind the suspension of a License or upon application for its rescission in writing by the entity concerned.

The suspended licensee shall resume its Financial Technology Solutions and or Offshore Virtual Currency business when the suspension is rescinded in writing or when the period thereof expires.

The cancellation or suspension of a license does not affect any liability for wrong or omission made before the date of the suspension or revocation takes effect.

The liability of the holder of a License to pay any fee or FTSOVC business duty continues during the period when the License is suspended.

Section 25. Surrender of License – The CEZA, through the Office of the Administrator, may approve the surrender of a License upon application for its rescission in writing by the licensee. The surrender of a License shall not affect any liability for any wrong or omission made before the date on which it ceases to have effect.

CEZA, through the Office of the Administrator, may impose conditions relating to the surrender of a License, including conditions that apply after the surrender and the former licensee must comply with those conditions.

A former Licensee that fails to comply with any condition imposed in this section shall be liable to pay a fine of not exceeding One Hundred Thousand United States Dollars (USD 100,000.00) or its Philippine Peso equivalent and other corresponding penalties as may be imposed under this FTSOVCBRR of 2018 and other regulations.

Section 26. Renewal of License – A licensee shall apply in writing to CEZA, through the Office of the Administrator, to



renew its License not less than sixty (60) calendar days before its expiration date.

CEZA, through the Office of the Administrator may refuse to renew a License on any ground under this CEZA FTSOVCBRR of 2018 upon which the Office of the Administrator may suspend or revoke the License.

If CEZA intends not to renew a License, the Office of the Administrator shall notify the Licensee in writing of the non-renewal of License and give the licensee at least fifteen (15) calendar days upon which to make submissions in writing to CEZA.

CEZA, through the Office of the Administrator, shall give the licensee written notice of any refusal to renew the License.

Section 27. Non-transferability of License – A License cannot be transferred except by way of enforcement of a mortgage, charge or encumbrance in accordance with Section 26 of this CEZA FTSOVCBRR of 2018 and without the written approval of the CEZA.

Section 28. Mortgage, Charge or Encumbrance of License – A Licensee shall not mortgage, charge or otherwise encumber its License except with the written approval of the CEZA, made through the Office of the Administrator.

If any entity has a right to sell and transfer a License under or because of a mortgage, charge or encumbrance, the License may only be sold and transferred to a person approved by the CEZA.

CEZA shall not approve the transfer of a License, unless CEZA is satisfied that the proposed transferee is a suitable person to hold the License pursuant to the FTSOVCBRR of 2018 and other regulations.

If a person has under, or because of, a mortgage, charge or encumbrance a power to appoint a receiver or manager of the business conducted under the License, the power may only be exercised if CEZA first approves the proposed receiver or manager in writing.



Section 29. Bank Accounts – A Licensee is required to keep an account or accounts with a Qualified Custodian Bank for the purpose of:

- a.) Depositing the initial and additional capital of the Licensee;
- b.) All banking or similar transactions for the operations conducted under its License; or
- c.) Such other purposes as are approved in writing by CEZA, through the Office of the Administrator.

A Licensee shall use a financial institution account only for a purpose referred to in the preceding sub-section (a) and (b) or for which the account is approved under the preceding sub-section (c).

A Licensee that contravenes subsections (a), (b), or (c) shall be liable to pay a fine not exceeding Five Hundred Thousand United States Dollars (USD 500,000.00) or its Philippine Peso equivalent and other penalties as may be imposed pursuant to this FTSOVCBRR of 2018 and other regulations.

RULE IV COMPLIANCE PROGRAMS

A Licensee shall conduct an initial risk assessment that will consider legal, financial, and economic risks associated with the its activities, services, customers, counterparties, and geographic location, and shall establish, maintain, and enforce its Compliance Programs based thereon. A licensee shall also conduct annual assessments and independent testing by a qualified independent party, or more frequently, as risks change or as mandated by the CEZA, and shall modify its compliance programs as appropriate to reflect any such changes.

Section 30. Money Laundering Prevention and Counter Financing of Terrorism Program – Licensees and Authorized Service Providers shall develop and implement Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) policies that are approved and supported by its senior management which will provide reasonable security measures to prevent transactions which are potentially



connected to money laundering and the financing of terrorism becoming associated with FTSOVC business activities.

The Licensee shall maintain and enforce its Money Laundering Prevention Program in conjunction with existing laws and regulations of the Philippines, that shall cover the following, at a minimum:

- a) Each Licensee shall conduct an initial risk assessment that will consider legal, financial, and economic risks associated with the Licensee's activities, services, customers, counterparties, and geographic location and shall establish, maintain, and enforce AML and CFT programs based thereon. The Licensee shall conduct additional assessments on an annual basis, or more frequently as risks change or be mandated by the CEZA and shall modify its AML and CFT programs as appropriate to reflect any such changes.
- b) The Licensee's or Authorized Service Provider's Money Laundering Prevention Program shall, at minimum:
 - i. Provide for a system of internal controls, policies, and procedures designed to ensure ongoing compliance with all applicable anti-money laundering laws, rules, and regulations;
 - ii. Provide for independent testing for compliance with, and the effectiveness of the AML and CFT programs to be conducted by qualified external party, at least annually, the findings of which shall be summarized in a written report submitted to the superintendent;
 - iii. Designate a qualified individual or individuals as Compliance Officer responsible for coordinating and monitoring day-to-day compliance with the AML and CFT programs, who shall at a minimum:
 - 1.) Monitor changes in AML and CFT laws or regulations and update the Licensee's programs



accordingly;

- 2.) Maintain all records required to be maintained under this Article;
 - 3.) Review all filings required under this Article before submission to CEZA or other Government entity;
 - 4.) Escalate matters to the board of directors, senior management, the CEZA, the Exchange, or other appropriate governing body and seek outside counsel, as required;
 - 5.) Provide periodic reporting, at least annually, to the board of directors, senior management, or appropriate governing body; and
 - 6.) Ensure compliance with relevant training requirements.
- iv. Provide ongoing training for appropriate personnel to ensure they have a fulsome understanding of anti-money laundering requirements and to enable them to identify transactions required to be reported and maintain records required to be kept in accordance with this Part.
 - v. Include a written AML and CFT policies reviewed and approved by the Licensee's board of directors or equivalent governing body.
- c) Each Licensee, as part of its AML and CFT programs, shall maintain records and make reports in the manner set forth as follows:
- i. Records of Financial Technology Solutions and Offshore Virtual Currency transactions. Each Licensee shall maintain the following information for all Financial



Technology Solutions and Virtual Currency transactions involving the payment, receipt, exchange, conversion, purchase, sale, transfer, or transmission of Value or Virtual Currency:

- 1.) The identity and physical addresses of the party or parties to the transaction that are customers or accountholders of the Licensee and, to the extent practicable, any other parties to the transaction;
 - 2.) The amount or value of the transaction, including in what denomination purchased, sold, or transferred;
 - 3.) Method of payment;
 - 4.) The date or dates on which transaction was initiated and completed; and
 - 5.) A sufficient description of the transaction.
- d) Should a Licensee be involved in a transaction or series of Financial Technology Solutions or Offshore Virtual Currency related transactions that are not subject to currency transaction reporting requirements under law, including transactions for the payment, receipt, exchange, conversion, purchase, sale, transfer, or transmission of Value or Virtual Currency, in an aggregate amount of at least the United States Dollar value of \$10,000 in one day, by one Person, entity or the same group of entities, the Licensee shall notify the CEZA within twenty- four (24) hours thereof.
- e) No Licensee shall structure transactions, or assist in the structuring of transactions, to evade reporting requirements under this section.
- f) No Licensee shall engage in, facilitate, or knowingly allow FTSOVC transactions when such action will obfuscate or conceal the identity of an



individual customer or counterparty. Nothing in this Section, however, shall be construed to require a Licensee to make available to the general public the fact or nature of the movement of Value or Virtual Currency by individual customers or counterparties.

- g) Each Licensee shall also maintain, as part of its anti-money laundering program, a customer identification protocol that substantially covers:
- i. Identification and verification of account holders. When opening an account for, or establishing a service relationship with, a customer, each Licensee must, at a minimum, verify the customer's identity, to the extent reasonable and practicable, maintain records of the information used to verify such identity, including name, physical address, and other identifying information, and check customers against existing CEZA and Philippine Government data base. Enhanced due diligence may be required based on additional factors, such as for high risk customers, high-volume accounts, or accounts on which a suspicious activity report has been filed.
 - ii. Enhanced due diligence for accounts involving foreign entities. Licensees that maintain accounts for non-Philippine entities. Licensees must establish enhanced due diligence policies, procedures, and controls to detect money laundering or financing of terrorism, including assessing the risk presented by such accounts based on the nature of the foreign business, the type and purpose of the activity, and the anti-money laundering, financing of terrorism, and supervisory regime of the foreign jurisdiction.
 - iii. Prohibition on accounts with foreign shell entities. Licensees are prohibited from maintaining relationships of any type in



connection with their Financial Technology Solutions or Offshore Virtual Currency Business Activities with entities that do not have a physical presence in any country, especially in the Philippines.

- iv. Identification required for large transactions. Each Licensee must require verification of the identity of any account-holder or Participant initiating a transaction with a value greater than Ten Thousand United States Dollars (USD10,000.00).
- v. Each Licensee shall demonstrate that it has risk-based policies, procedures, and practices to ensure, to the maximum extent practicable, compliance with applicable regulations of the CEZA or the Philippines.
- vi. Each Licensee shall have in place appropriate policies and procedures to block or reject specific or impermissible transactions that violate CEZA regulations or Philippine laws, rules, or regulations.
- vii. The Compliance Officer designated by the Licensee, pursuant to this section shall be responsible for day-to-day operations of the anti- money laundering program and shall, at a minimum:
 1. Monitor changes in anti-money laundering laws and update the program accordingly;
 2. Maintain all records required to be maintained under this Section;
 3. Review all filings required under this Section before submission; and
 4. Escalate matters to the board of directors, senior management, the CEZA, the Platform, the Exchange



- Enterprise, or other appropriate governing body and seek outside counsel, as required;
5. Provide periodic reporting, at least annually, to the board of directors, senior management, or appropriate governing body; and
 6. Ensure compliance with relevant training requirements.

Section 31. Data Privacy and Cyber Security Program –

Within five (5) months from the issuance of an FTSOVCE License, Each Licensee and Authorized Service Provider shall establish and maintain an effective Data Privacy and Cyber Security Program (DPCS) to ensure the availability and functionality of the Licensee's and Authorized Service Provider's electronic systems and to protect those information systems and any sensitive data stored on those systems from unauthorized access, use, or tampering.

The DPCS program shall be designed to perform the following functions:

- a.) help ensure the privacy and confidentiality of personal information of individuals and entities participating in and work under the Financial Technology Solutions and Offshore Virtual Currency Business of the Licensee;
- b.) help prevent data breaches and unauthorized access to the system and other compliance programs of the Licensee;
- c.) identify internal and external cyber risks by, at a minimum, identifying the information stored on the Licensee's systems, the sensitivity of such information, and how and by whom such information may be accessed;
- d.) protect the Licensee's electronic systems, and the information stored on those systems, from unauthorized access, use, or other malicious acts through the use of defensive infrastructure and the implementation of policies and procedures;



- e.) detect systems intrusions, data breaches, unauthorized access to systems or information, malware, and other Cyber Security Events;
- f.) respond to detected Cyber Security Events to mitigate any negative effects; and
- g.) recover from Cyber Security Events and restore normal operations and services.
- h.) a written cyber security policy setting forth the Licensee's:
 - i. Authorized Compliance Officer that is qualified to serve and be responsible for overseeing and implementing the Licensee's cyber security program and enforcing its cyber security policy.
 - ii. Policies and procedures for the protection of its electronic systems and customer and counterparty data stored on those systems, which shall be reviewed and approved by the Licensee's board of directors or equivalent governing body at least annually. The cyber security policy must address the following areas:
 - 1. information security;
 - 2. data governance and classification;
 - 3. access controls; and
 - 4. business continuity and disaster recovery planning and resources.

Section 32. Customer Protection Program - As part of establishing a relationship with Participants, and prior to entering into an initial transaction for, on behalf of, or with such Participants, each Licensee shall disclose in clear, conspicuous, and legible writing in the English language and in any other predominant language spoken by the customers of the Licensee, all material risks associated with its products, services, and activities and Virtual Currency generally, including at a minimum, the following:

- a.) Virtual Currency is not legal tender, is not being



backed by the government, and accounts and value balances are not subject to Philippine Deposit Insurance Corporation or other governmental/regulatory protections;

- b.) Legislative and regulatory changes or actions at the CEZA, Philippine, or international level may adversely affect the use, transfer, exchange, and value of Virtual Currency or any other FTSOVC transaction;
- c.) FTSOVC transactions may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable;
- d.) Some FTSOVC transactions shall be deemed to be made when recorded on a public ledger, which is not necessarily the date or time that the customer initiates the transaction;
- e.) The value of Virtual Currency may be derived from the continued willingness of market participants to exchange Fiat Currency for Virtual Currency, which may result in the potential for permanent and total loss of value of a particular Virtual Currency should the market for that Virtual Currency disappear;
- f.) There is no assurance that an entity/Participant who accepts a Virtual Currency as payment today will continue to do so in the future;
- g.) The volatility and unpredictability of the price of Virtual Currency relative to Fiat Currency may result in significant loss over a short period of time;
- h.) The nature of Virtual Currency may lead to an increased risk of fraud or cyber- attack;
- i.) The nature of Virtual Currency means that any technological difficulties experienced by the Licensee may prevent the access or use of a Participant's Virtual Currency;
- j.) Any bond or trust account maintained by the Licensee for the benefit of its customers may not be sufficient to cover all losses incurred by customers; and
- k.) An undertaking of compliance with the Philippine Data Privacy Act of 2012.



Section 33. Disclosure of General Terms and Conditions. -

When opening an account for a new customer, and prior to entering into an initial transaction for, on behalf of, or with such customer, each Licensee shall disclose in clear, conspicuous, and legible writing in the English language and in any other predominant language spoken by the customers of the Licensee, all relevant terms and conditions associated with its products, services, and activities, including at a minimum such terms and conditions to be promulgated by the Financial Technology Platform and Offshore Virtual Currency Exchange Enterprise and the CEZA.

Section 34. Disclosures of the Terms of Transactions. - Prior to each transaction of FTSOVC Business Activity, for, on behalf of, or with a customer, each Licensee shall furnish to each such customer a written disclosure in clear, conspicuous, and legible writing in the English language and in any other predominant language spoken by the customers of the Licensee, containing the terms and conditions of the transaction, which shall include, at a minimum, to the extent applicable:

- i. the amount of the transaction;
- ii. any fees, expenses, and charges borne by the customer, including applicable exchange rates; the type and nature of the Virtual Currency transaction;
- iii. a warning that once executed the transaction may not be undone, if applicable; and
- iv. such other disclosures as are customarily given in connection with a transaction of this nature.

Section 35. Prevention of Fraud. - Licensees are prohibited from engaging in fraudulent activity. Additionally, each Licensee shall take reasonable steps to detect and prevent fraud, including by establishing and maintaining a written anti-fraud policy.

**RULE V
INSPECTION AND AUDIT**

Section 36. Approval of Financial Technology Solutions and or Offshore Virtual Currency Business Activities – A Licensee shall conduct Financial Technology Solutions and



Offshore Virtual Currency Business Activities pursuant to its License duly issued by the CEZA and in compliance with the following:

- a.) Business plan and structural programs of Licensee's proposed FTSOVC business Licensee's as reviewed and approved by the CEZA;
- b.) The Anti-Money Laundering Program, Data Privacy and Security Program, Cyber Security Program, and other policy required by the CEZA; and
- c.) Compliance with all applicable laws and regulations imposed by the CEZA the Republic of the Philippines, and other respective regulatory body having jurisdiction over the Licensee.

A licensee that contravenes any provision of this section shall be liable to pay a fine of Five Hundred Thousand United States Dollars (USD500,000.00) or is Philippine Peso equivalent.

Section 37. Amendments in Compliance Programs and Control Systems – A Licensee shall submit any amendment or shifts in its compliance programs (as enumerated in Section 29 of these regulations) for review and approval by the CEZA, through the Office of the Administrator, at least thirty (30) calendar days prior to their effectivity. Failure to do so shall subject the Licensee to penalties under Section 29 of these regulations.

Section 38. Notification of Changes – A Licensee shall submit any proposed change in control or ownership, close associates, or financial resources for review and/or approval by the CEZA, through the Office of the Administrator, at least thirty (30) calendar days prior to their effectivity.

- a.) Prior to any changes of control or material changes in ownership of the Licensee's corporate entity, the entity seeking to acquire control of a Licensee shall submit a written application to the CEZA, through the Office of the Administrator, in a form and substance acceptable to said office, including but not limited to detailed information about the applicant and all directors, Principal Officers,



Principal Stockholders, and Principal Beneficiaries of the applicant.

For purposes of this sub-section, the term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Licensee whether through the ownership of stock of such Licensee, the stock of any Person that possesses such power, or otherwise. Control shall be presumed to exist if a Person, directly or indirectly, owns, controls, or holds with power to vote more than fifty percent (50%) of the voting stock of a Licensee or of any Person that owns, controls, or holds with power to vote ten percent or more of the voting stock of such Licensee.

Prior to any effective change in the Licensee’s close associates, the Licensee shall submit a written application to the CEZA, through the Office of the Administrator, in a form and substance acceptable to said office, including but not limited to detailed information about the proposed close associate’s name, address, nationality, profession, and prior experience in FTSOVC business related activities.

- b.) A Licensee shall submit to the CEZA any and all information relating to the material reduction in the Licensee's financial resources, including but not limited to the purpose/reason, affected sectors of its operations, and effect on the financial and business commitments of the Licensee as covered by this CEZA FTSOVCBRR of 2018.

A written notice shall also be submitted to CEZA, through the Office of the Administrator, within seven (7) calendar days after the change, addition or reduction occurs.

A Licensee that contravenes this section shall be liable to a pay a fine of not exceeding One Hundred Thousand United States Dollars (USD100,000) or its Philippine Peso equivalent.

Section 39. Books, Reports, and Audit – Within thirty (30) days from the issuance of the Provisional License, a Licensee shall have integrated and shall maintain connection with the



CEZA Central Audit System and preserve all books and records relating to their Financial Technology Solutions, and or Offshore Virtual Currency Business Activities and operations throughout the effectivity of their License and up to three (3) years after the expiration of their license or until the expiration of the period mandated by CEZA or final orders of a proper court.

Within five (5) days from the end of each month, each Licensee shall submit a return to the CEZA, in a form approved by CEZA, indicating the amounts paid in relation to the Transaction Fee Sharing and other prescribed information by the CEZA

Each Licensee shall also submit financial reports and reports on its Compliance Programs to CEZA within Forty-five (45) calendar days following the close of the Licensee's fiscal quarter, in the form and contents prescribed by CEZA, through the Office of the Administrator.

A licensee shall not submit or maintain any information that is false or misleading in any material particular in its records, books, and/or report. Special Reports required by the CEZA shall be in an approved form and be submitted at the time stated in the respective notice.

CEZA, through the Administrator, may make information obtained under this section available to a law enforcement agency within or outside the Philippines if CEZA is satisfied on reasonable grounds that the information relates to an activity that is illegal within or outside the Philippines.

Should the licensee fail to integrate with the CEZA Central Audit System within a period of sixty (60) days from the issuance of the Provisional License, a Presumptive Audit shall be implemented and the Licensee shall pay the amount of USD10,000.00 per month from the issuance of the Provisional License as Transaction Fee.

A licensee that contravenes this section shall be liable to pay fine of not exceeding United States Dollars: Two Hundred Thousand (USD200,000) or its Philippine Peso equivalent.

Section 40. Inspection and Audit – A Licensee shall always be connected to the Financial Technology Solutions Audit



Platform and may avail of its other services based on agreed fees. The Licensee must also permit CEZA to examine the books, records, operations, Compliance Programs, and/or activities of the Licensee upon due notice and request therefor by the CEZA in order to determine, among others, the Licensee's:

- a.) The proper implementation of its Compliance Programs and Control Systems;
- b.) Sound financial condition;
- c.) Management policies and compliance with the laws of the Philippines and regulations set forth by the CEZA; and
- d.) Status of such other matters that the CEZA may determine, including but not limited to, activities/operations conducted outside the CSEZFP that may affect its license and FTSOVC Business.

Within sixty (60) calendar days after the end of a financial year, a licensee shall cause the books, accounts and financial statements for the operations conducted under its License for the financial year to be audited by a qualified auditor authorized by the Regulator as defined in this CEZA FTSOVCBRR of 2018.

The authorized auditor shall:

- a.) Complete the audit within four (4) months after the end of the financial year; and
- b.) Immediately after completion of the audit, give a copy of the audit report to the CEZA.

On receiving an auditor's report, the Regulator may, by written notice issued by the Office of the Administrator and given to the Licensee, require the Licensee to submit to the CEZA further information about a matter relating to the Licensee's operations mentioned in the audit report. A Licensee shall submit the required information within the time stated in the notice.

The cost of audit shall be for the account of the Licensee.

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 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.



RULE VI LICENSEES

Section 43. Licensee Status – Only Licensees shall be allowed to participate in the operations of the CEZA Financial Technology Solutions and Offshore Virtual Currency Exchange Hub and be granted a status of “Licensee” subject to the securing of a license and a CEZA Enterprise Certificate of Registration and Tax Exemption from the CEZA pursuant to these regulations and such rules, procedures, and changes to be promulgated by the CEZA Central Audit System.

Section 44. Principal Licensee Status – A corporate business entity can be afforded a Principal License by the CEZA to be its marketing and technical partner in the conduct of FTSOVC business activities. Each Principal Licensee shall have the authority to indorse four regular licensees to the CEZA and manage the conduct of business of each regular licensee.

RULE VII REGULATOR

Section 45. Functions and Powers of the Regulator – The CEZA is hereby given authority to conduct necessary and reasonable acts towards the full enforcement of this CEZA FTSOVCBRR of 2018 and shall likewise be authorized to amend, create, and abolish rules as current legal, financial, administrative, and economic circumstances demand.

Section 46. Code of Practice. — Subject to the approval of CEZA as regulator, the Office of the Administrator shall prepare a code of practice for licensees. In preparing the code of practice, the Administrator may consult with all Licensees.

Without limiting the code of practice, it may provide for the following:

- a.) The standards to be complied with by licensees conducting FTSOVC business activities;
- b.) The rates and pricings in FTSOVC business conducted by licensees;
- c.) The payment of fees and charges or delivery of service by Licensees to CEZA and/or to Participants;



- d.) The manner in which disputes between Licensees, the CEZA, or Participants are to be resolved.

The code of practice is a regulation that shall be treated in conjunction with the purposes and provisions of this CEZA FTSOVCBRR of 2018.

A Licensee that contravenes a provision of the Code of Practice 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 47. Complaints – The Regulator shall cause to be investigated any complaint made to it or to the Office of the Administrator about a Licensees' operations or conduct of FTSOVC business activities.

As Regulator, the CEZA has the discretion to deny investigations of a complaint that is deemed to be merely petty, frivolous or vexatious.

Section 48. Appointment of Inspector – CEZA envisions that this CEZA FTSOVCBRR of 2018 shall be implemented to ensure the integrity of the Financial Technology Solutions and Offshore Virtual Currency business operations contemplated herein, the suitability of the licensees and the protection of Licensees and Participants, and the identification, investigation and elimination of suspicious, fraudulent or money laundering activities in relation to the FTSOVC business activities contemplated by these regulations.

For this purpose, CEZA, through the Office of the Administrator, may appoint any staff or officer of CEZA or any person other than any of the staff or officer of CEZA but who is not a public servant, who has appropriate qualifications and expertise to serve as an inspector.

The inspector, who may override, confirm, complement, or supplement the report of the CEZA, shall have the following powers:

- a.) To inspect, examine, or test any control system, compliance program, and other matters used/implemented by a Licensee in conducting



- operations under its license; and
- b.) The inspector shall obtain the consent of the owner or occupier of the premises to exercise the powers under this Section, or, in the absence of consent, must obtain a search warrant from the proper Court.

Courts shall not issue a warrant unless it is satisfied by information under oath that:

- a.) An offense against this CEZA FTSOVCBRR of 2018 has been or is being committed, or is likely to be committed, on the premises; and
- b.) Evidence of the commission, or likely commission, of the offense is likely to be found on the premises.

RULE VIII REMEDIES

Section 49. Motion for Reconsideration – A Licensee may file a Motion for Reconsideration with the Office of the Administrator for all orders or decisions issued by the Office of the Administrator within fifteen (15) days from receipt of said order or decision on the following:

- a) Imposition of additional terms and conditions on the OVCE License made by CEZA;
- b) Suspension or revocation of OVCE License;
- c) Refusal to rescind the suspension of OVCE License;
- d) Refusal to renew OVCE License;
- e) Refusal to approve a transfer of OVCE License;
- f) An order, decision, or recommendation prescribed under the CEZA FTSOVCBRR of 2018, of which an appeal can be made;
- g) Other orders, decisions, or recommendations issued by the Office of the Administrator with respect to the Licensee or the OVCE License.

Section 50. Appeal to the Board. – a Licensee may file an Appeal to the CEZA Board of Directors for orders or decisions unfavorable to it, issued by the Office of the Administrator within fifteen (15) days from receipt of the order or decision



appealed from.

Section 51. Actions of CEZA. – CEZA or the Office of the Administrator may perform the following actions, as applicable:

- a.) Deny the Motion for Reconsideration (MR) or Appeal outright for failure to file within the prescribed period;
- b.) Confirm, reverse, or modify the order, decision, or recommendation moved or appealed against; and
- c.) Make such other order, decision, recommendation or decision as may be necessary.

RULE IX MISCELLANEOUS PROVISIONS

Section 52. Marketing and Advertising – Each Licensee shall advertise its Financial Solutions, and or Offshore Virtual Currency business activity in CSEZFP in such manner and output that will include the name of the Licensee and a clear indication that such Licensee is “Licensed to engage in Financial Technology Solutions and or Offshore Virtual Currency business activity by the Cagayan Economic Zone Authority”.

In all advertising and marketing materials, each Licensee and any person or entity acting on its behalf, shall not, directly or by implication, make any false, misleading, or deceptive representations or omissions.

In all advertising and marketing materials, each Licensee shall comply with all disclosure requirements under CEZA rules and regulations in conjunction with Philippine laws, rules, and regulations on advertising and marketing.

Section 53. Confidentiality – Any person who is or was an officer, agent, employee, inspector, or personnel of CEZA responsible for administering, enforcing, or monitoring of this CEZA VCBR of 2018 shall not disclose information obtained in performing functions under this CEZA FTSOVCBRR of 2018 and other CEZA mandates.



Disclosure of information is allowed if such disclosure shall be:

- a.) Made pursuant to the mandates under this CEZA FTSOVCBRR of 2018; or
- b.) Made under an approval of the Regulator given under this section; or
- c.) Authorized by any law or a final order of a proper Court.

A person who violates this section shall be liable to pay a fine of not exceeding Ten Thousand United States Dollars (USD10,000.00) or its Philippine Peso equivalent.

Section 54. Forfeiture – A court that finds a person guilty of an offense under this CEZA FTSOVCBRR of 2018 may order that any Financial Technology Solutions and Offshore Virtual Currency business system or other assets used, or intended to be used, by the person in the commission of the offense be forfeited in favor of CEZA.

Section 55. Order – The CEZA is authorized to make orders and memorandums not inconsistent with this CEZA FTSOVCBRR of 2018 to better carry out or give effect to the provisions hereof.

Section 56. Separability Clause – If any provision of this CEZA FTSOVCBRR of 2018 is declared unconstitutional or invalidated, the same shall not affect the validity of other provisions of this CEZA FTSOVCBRR of 2018.

Section 57. Effectivity. – This CEZA FTSOVCBRR of 2018 shall take effect immediately upon its approval by the CEZA Board of Directors.

Approved. 16 March 2018.