

## **CAGAYAN ECONOMIC ZONE AUTHORITY (CEZA) OFFSHORE FINANCIAL TECHNOLOGY LICENSING RULES AND REGULATIONS**

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 Cagayan Economic Zone Authority (CEZA) Offshore Financial Technology Licensing Rules and Regulations or the “CEZA OFTLRR”, for brevity.

Section 2. **Application and Objectives** – This CEZA Offshore Financial Technology Licensing Rules and Regulations (OFTLRR) will govern all business activities of the CEZA Offshore Financial Technology Licensees and the CEZA Central Audit System, domiciled within the Cagayan Special Economic Zone and Freeport (CSEZFP) and shall apply to all CEZA Offshore Financial Technology business-related activities with the support of Authorized Service Providers that have the Certificate of Registrations (COR) issued by CEZA.

This CEZA OFTLRR, as amended, shall have the following objectives:

- a. To provide a lawful basis for registration and control of Offshore Financial Technology 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 Offshore Financial Technology business-related activities;
- c. To ensure verifiable and secure financial transactions which can aid the proper audit and collection of license fees, levies, and taxes as may be assessed in the conduct of Offshore Financial Technology business-related activities;
- d. To ensure that adequate safeguards are established and enforced to prevent Offshore Financial Technology 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 Offshore Financial Technology activities; and
- f. To aid the preventive measures for digital financial fraud and protect persons from other potential harms of Offshore Financial Technology business-related activities.

Section 3. **Definition of Terms** – For purposes of this CEZA OFTTLRR, as amended:

“Administrator” means the Administrator of the Cagayan Economic Zone Authority;

“Approved Form” means a form approved by the CEZA for use herein;

“Asset-Backing Auditor” means a person who has been accredited by CEZA to act as such person, including to perform the functions described;

“Asset-Backing Certification” in relation to a Digital Asset, means a certification made by an Asset-Backing Auditor of the matters set out in Schedule 2 in accordance with Section 49.03;

“Asset-Backing Disclosure” in relation to a Digital Asset, means a public disclosure by the Issuer of the Digital Asset of the matters set out in Schedule 2;

“Asset-Backing Representation” in relation to a Digital Asset, means any statement or conduct which would reasonably cause a person to believe one or more of the following:

- (i) the value or liquidity of the Digital Asset is supported by other assets of any kind; or
- (ii) a holder of the Digital Asset has a legal right to exchange it for other assets of any kind held by another person;

“Authorized Representative” 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. 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;

“Authorized Service Provider (ASP)” means a locally registered company with a certificate of registration (COR) issued by CEZA, created specifically to provide support services to Offshore Financial Technology Licensees. Support services may include the following:

- a. Customer support services;
- b. Server and website management and maintenance;
- c. Transaction monitoring and reporting;
- d. Data Center;
- e. Telecommunications;
- f. Security Services (Electronic and Physical);
- g. Software Development Services and
- h. Hosted Office Solutions Services;

“Blockchain” means a digital ledger or database of transactions relating to Digital Assets which are recorded chronologically and capable of being audited;

“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;

“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 CEZA Offshore Financial Technology business activities within the Zone;

“Certificate of Registration (COR)” means the certificate issued by CEZA to a foreign or local registered company applying to do business in the CSEZFP as a Licensee or as an Authorized Service Provider for Offshore Financial Technology business-related activities;

“Code of Practice” means a code of conduct issued by CEZA under Section 53;

“Collateral Asset” means the asset against which a Digital Asset is backed;

"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 Offshore Financial Technology business-related activities by a Licensee;

“Cryptocurrency” is a digital or virtual form of currency that uses cryptography for security. Unlike traditional currencies issued by governments like fiat currencies, cryptocurrencies operate on decentralized networks based on blockchain technology;

“Cryptocurrency Exchange” refers to a platform that allows users to buy, sell, or trade cryptocurrencies. It acts as an intermediary, matching buyers with sellers, and providing a marketplace for digital assets;

“Cryptocurrency Exchange License” refers to an Authorization or a License issued by CEZA to an Offshore Financial Technology Licensee to operate a platform for buying, selling, or trading cryptocurrencies;

“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;

“DA Agent” means a person who has been accredited by or registered with CEZA, subject to such rules and regulations as CEZA may hereafter promulgate, to act as such person, including to perform the functions described in Section 48.03;

“Digital Asset (DA)” means a uniquely identifiable electronic representation of value, property or chattel, the conferral, storage and transfer of which is recorded electronically including by transmission of electronic information or adjustment of an electronic record and which is any or a combination of the following:

- (a) a cryptocurrency, being a medium of exchange or payment, a unit of account, a store of value, or a means of money or value transfer:
  - (i) that, at the relevant time, is not designated as legal tender; and/or
  - (ii) for which, at the relevant time, the creation is not administered,

by any Governmental Entity (acting *intra vires*) but the value of which may be ascertained by reference to a medium of exchange or payment or a unit of account falling within (i) and (ii) (a **Cryptocurrency**);

- (b) an asset token, being an electronic representation of a tangible or intangible asset, or right in relation to with such an asset (including a debt or a security or equity or an option over these, including of the Issuer of the Digital Assets (an **Asset Token**);

- (c) a utility token, being a representation of an entitlement to use, have access to or carry out a certain function within an electronic application, service or product (a **Utility Token**); or

(d) a stablecoin, being designed to maintain a stable value by pegging its price to another asset or basket of assets. Unlike traditional cryptocurrencies which can experience significant price volatility, stablecoins aim to minimize fluctuations in value, making them more suitable for use in everyday transactions and as a store of value (a Stablecoin);

but excluding:

- (e) an electronic representation of value which is part of an affinity or rewards program and which can be used only to acquire goods or services from participants in that program but cannot be exchanged in the program for legal tender, bank credit, or any Digital Asset; or
- (f) an electronic representation of value issued by or on behalf of the publisher and used within an online game, game platform, or family of games sold by the same publisher or offered on the same game platform;

“Digital Asset and Token Offering (DATO)” refers to a fundraising activity in which a Licensee can issue digital tokens or coins as a means of raising capital. These tokens are often based on blockchain or distributed ledger. Investors can purchase these tokens during the initial token offering, and in return, they may receive certain rights or benefits within the project’s ecosystem. DATOs are a form of crowdfunding in the cryptocurrency space and are subject to regulatory considerations depending on the jurisdiction.

DATO is an offer to more than twenty (20) persons during any twelve (12) month period to purchase or otherwise acquire Digital Assets to be issued by an Issuer;

“Digital Token” is a unit of value issued by an entity, often using blockchain or distributed ledger. The token can represent various assets, rights, or utilities within a specific ecosystem;

“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 a 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;

“Electronic Money Issuance (EMI)” refers to the creation and provision of digital or electronic forms of currency that represent a monetary value. Entities issuing electronic money may include financial institutions, technology companies, or specialized electronic money institutions.

Electronic money can be used for various financial transactions, including online purchases, money transfers, and other electronic payments;

“Electronic Payment System” include credit cards, debit cards, bank transfers, mobile wallets, and various online payment platforms;

"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;

“Expert” includes a technologist, software engineer, valuer, appraiser, accountant and any other person whose profession gives authority to a statement made by him relating to matters concerning Digital Assets;

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

“Financial Technology” or FinTech, refers to the use of technology to provide innovative financial services, including digital payments, lending platforms, robo-advisors, and blockchain-based solutions, to enhance and streamline financial processes;

“Governmental Entity” means:

- (a) any national, supra-national, federal, state, county, municipal, local or foreign government or any entity exercising executive, legislative, judicial, regulatory, taxing or administrative functions of or pertaining to government; or
- (b) any (i) public international organization; (ii) agency, division, bureau, department or other political subdivision of any government, entity or organization described in (a) or (b)(i) of this definition; (iii) company, business, enterprise or other entity owned in whole or controlled by any government, entity, organization or other person described in (a), (b)(i) or (b)(ii) of this definition; or (iv) any political party, in each case, acting under the delegated authority of any government, entity or organization described in (a) of this definition;

“Holder” means any person that has legal title of, or that is otherwise in possession of, or has control over, a Collateral Asset(s), and includes a custodian;

"Inspector" means a person who is charged by CEZA to conduct an inspection to ensure proper implementation of this CEZA OFTLRR, as amended;

“Issuer” means a legal person formed or licensed for any purpose under the laws and regulations of CEZA which issues or proposes to issue Digital Assets, which shall not be sold or offered for sale or distribution within the Philippines;

"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 who is requested, engaged, or deputized by CEZA

"License" means a foreign company that is License under this CEZA OFTLRR, as amended, for the conduct of Offshore Financial Technology type of business activities or operations as an Offshore Financial Technology Licensee;

“Offer Document” means a document prepared by an Issuer containing the information necessary to enable investors to make an informed assessment of the prospects of the Issuer, the proposed Project and the features of the Digital Asset in the manner prescribed in Section 46 and Schedule 1 for the purposes of compliance with Section 45.01 of this CEZA OFTLRR, as amended;

“Offshore Banking Unit (OBU)” it is a financial institution that operates in a foreign country but is typically owned by a Domestic Bank. OBUs are established in jurisdictions known as Offshore Financial Centers, which are often characterized by favorable regulatory and tax environments. These jurisdictions attract international businesses and individuals seeking financial services with benefits such as tax advantages, privacy, and reduced regulatory requirements.

The primary purpose of OBUs is to provide Offshore Financial Services to non-residents, meaning individuals or entities that are not based in the country where the OBU is located. These services often include international banking, investment managements, and other financial activities. OBUs may offer a range of services such as foreign currency accounts, trade financing, and international lending;

“Operator of a Payment System” refers to any entity or organization responsible for managing and facilitating the operation of the payment infrastructure. This includes overseeing the technical and operational aspects of the payment system, ensuring that transactions are processed securely, and managing the flow of funds between participants;

“Participant” means an individual, corporation, or entity participating in the Offshore Financial Technology type of business activities or operations under this CEZA OFTLRR, as amended, such as user of the platform, initiating a transaction, client, or one who accepts a virtual currency and the like;

“Payment System” refers to a set of instruments, procedures, and rules used to transfer monetary value between participants. It facilitates the exchange of goods and services by enabling the transfer of funds from one party to another;

“Project” means the product or service to be created or developed as set out in the Offer Document;

“Qualified Custodian” means an Offshore Banking Unit that was subjected to the registration and authorization process of CEZA. Offshore Banking Unit should comply with existing banking laws and Bangko Sentral ng Pilipinas (BSP) rules and regulations pursuant to Section 4(d) of Republic Act 7922 (CEZA Charter);

“Qualified Trust Company” refers to an authorized financial institution that has met specific regulatory requirements to provide trust and fiduciary services. These services often include managing and administering trusts, estates, and other financial arrangements on behalf of clients. The “qualified” status indicates compliance with relevant legal and regulatory standards;

"Regulator" means the Cagayan Economic Zone Authority (CEZA);

"Regulations" means regulations made under this CEZA OFTLRR, as amended;

“Relevant Person” means any of the following persons: (a) an Issuer; or (b) any person undertaking business activities under the authority of CEZA, with or without a License, Certificate of Registration, or any similar authority granted by CEZA;

“Reserves” means the asset against which stablecoin is backed;

“Stablecoin” means a crypto-asset that aims to maintain a stable value relative to a specified asset or a pool or basket of assets;



“Stablecoin Issuer” means a legal person formed or licensed for any purpose under the laws and regulations of CEZA which issues or proposes to issue stablecoin;

“Tier 1 DATO” means a DATO that seeks to raise an amount not exceeding the threshold amount therefore found in Schedule 3, but under which payment for Digital Assets may only be made in a Digital Asset other than that which is the subject of the DATO; *Provided*, that such amount shall be subject to quarterly review by CEZA which such adjustments thereto as market conditions or exigencies of effective regulation may require;

“Tier 2 DATO” means a DATO that seeks to raise an amount exceeding the threshold amount for a Tier 1 DATO found in Schedule 3, but not exceeding the threshold amount for a Tier 3 DATO found in Schedule 3; *Provided*, that such amount shall be subject to quarterly review by CEZA which such adjustments thereto as market conditions or exigencies of effective regulation may require;

“Tier 3 DATO” means a DATO that seeks to raise an amount exceeding the threshold amount therefore found in Schedule 3; *Provided*, that such amount shall be subject to quarterly review by CEZA which such adjustments thereto as market conditions or exigencies of effective regulation may require.

For the purposes of this Part:

- (a) a statement included in an Offer Document shall be deemed to be untrue if it is misleading in the form and context in which it is included; and
- (b) a statement shall be deemed to be included in an Offer Document if it is contained therein or incorporated by reference therein or issued therewith.

“Transaction Fee” means a charge imposed by the Authorized Service Provider to the Licensees based on the transaction value generated;

“Transmission” means the transfer, by or through a third party, of cryptocurrency between a Licensee and a Participant, including the transfer from the account or storage repository of a Licensee to the account or storage repository of another 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;

“Virtual Currency (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. A 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. A value that is mutually exchangeable with the value in item 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.

## **Rule II – Offshore Financial Technology**

Section 4. **Definition** – Offshore Financial Technology Business Activity or “OFT 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. Cryptocurrency-based transactions, such as, but not limited to:
    1. Receiving cryptocurrency and/or electronic money for transmission or transmitting cryptocurrency;
    2. Storing, holding, or maintaining custody or control of cryptocurrency and/or electronic money on behalf of others;
    3. Trading or buying and selling cryptocurrency and/or electronic money as a customer business;
    4. Performing offshore exchange services as a customer business; or controlling, administering, or issuing a cryptocurrency and/or electronic money.
  - ii. an intermediary, brokerage, or agency service for the acts described in (i);
  - iii. management or custody of a fiat currency, cryptocurrency, and/or electronic money 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 is contemplated herein.

The development and dissemination of software does not constitute OFTLRR Business Activity as contemplated in this Licensing Rules and Regulations.

### **Rule III – Licensing Process**

Section 5. **License Requirement** – No person shall conduct any OFT Business Activity in the CSEZFP unless approved by and pursuant to a valid Certificate of Registration (COR) and license issued by CEZA under this CEZA OFTLRR, as amended.

Licensees and Authorized Service Providers are responsible for ensuring that their operators conform to the compliance programs provided for in Rule IV of this Licensing Rules and Regulations, 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. **Offshore Financial Technology Licensee** - Any and all applicants for an Offshore Financial Technology License shall comply with the following requirements:

1. Application for a New License - An applicant for a new Offshore Financial Technology License must comply with or submit the following requirements:
  - i. Submission of Letter of Intent (*addressed to the Administrator and Chief Executive Officer*);
  - ii. Submission of Business Plan 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 Offshore Financial Technology organized and registered in its home jurisdiction, or as provided under this CEZA OFTLRR, as amended;
  - v. Staffing and organizational structure, which demonstrates the ability to conduct the Offshore Financial Technology business-related activities properly and reliably throughout the term of its License;
  - vi. Latest Audited Financial Statements (AFS) and other registration documents and permits;
  - vii. Established internal rules concerning its Offshore Financial Technology business-related 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 complying with KYC and AML;
  - x. 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 Offshore Financial Technology business in the CSEZFP;
- xv. Submit the required pre-registration assessment requirements under subsection (b) hereof;
- xvi. Appoint an Authorized Representative (as defined above) within thirty (30) days from the issuance of the Provisional License. The Authorized Representative must be a Filipino citizen or a permanent resident of the Philippines. The Authorized Representative shall have the following obligations:
  - a. Appear and represent the Licensee to CEZA as regards to the submission of documents pertaining to the application and renewal of License;
  - b. Accept or receive the License on behalf of the Licensee including all documents or records relating to the License;
  - c. Sign any documents on behalf of the Licensee by virtue of a Board Resolution;
  - d. Pay the fees or charges due to CEZA or any government agencies relating to the issuance of License;
  - e. Open a bank account and an account to a Trust company on behalf of the Licensee;
  - f. Perform other acts to implement the foregoing purposes.
- 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 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 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 OFTLRR, as amended and as may be amended from time to time and paid directly to CEZA.
2. The applicant must submit to the following minimum pre-registration assessment requirements and other processes as may be required by CEZA:
    - i. Probity checks on the 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 in the CSEZFP;
    - iii. Review of applicant's Compliance Programs, as defined in this CEZA OFTLRR, as amended;
    - iv. Review of applicant's statutory and operational documentation; and
    - v. Review of front-end and back-end technology.
  3. Annual Renewal of License – Any existing Licensee who intends to renew its Offshore Financial Technology License shall submit the following requirements, sixty (60) days before the expiration of its license:
    - i. Updated business plan;
    - ii. Updated Compliance Programs;
    - iii. Payment of an annual renewal fee of Five Thousand United States (US) Dollars (USD5,000.00)
  4. Application for Authorized Service Provider – An application for a Certificate of Registration (COR) for Authorized Services Provider shall:
    - i. Be submitted directly to CEZA, coursed through the Administrator and Chief Executive Officer;
    - ii. Be in such form as prescribed by CEZA;
    - iii. Include a business plan of the branch office or the local company and a Service Agreement between the local and foreign company;
    - iv. Include Compliance Programs, as defined in this CEZA OFTLRR, as amended, which shall include 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 OFTLRR, as amended, and paid directly to CEZA.

5. The Licensees for the following business activities shall maintain at all times a minimum authorized capital stock and a paid-in capital in US Dollars as follows:

Type of License	Minimum Authorized Capital	Minimum Paid-in Capital
a. Cryptocurrency Exchange License	USD500,000	USD200,000
b. Electronic Money Issuer	USD500,000	USD200,000
c. Operator of a Payment System	USD150,000	USD50,000
d. Digital Asset Token Offering (DATO)	USD150,000	USD50,000

The foregoing threshold amounts are subject to annual review by CEZA, which shall come up with a decision whether to retain or adjust the amounts based on its assessment of market conditions and exigencies of effective regulation. CEZA shall conduct an annual evaluation of the Licensees' financial capacity for the adjustment of the required minimum authorized capital stock and paid-in capital based on the reported financial transactions and revenues.

6. Each Licensee shall appoint an Authorized Representative to reside in the CSEZFP.
7. 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 and Chief Executive Officer, 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 any 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. Offshore Financial Technology Fees** - The CEZA shall impose the following fees for Offshore Financial Technology business-related activities in the CSEZFP:

- a. An Offshore Financial Technology Licensee shall pay to CEZA a one-time, non-refundable, application and processing fee in the amount of Ten Thousand United States Dollars (USD10,000.00) or its Philippine Peso equivalent. Upon approval of its application for the license, the

Licensee shall pay a License Fee per activity in US Dollars or its Philippine Peso Equivalent as follows:

<b>Type of License</b>	<b>License Fee (one-time)</b>
a. Cryptocurrency Exchange License	USD25,000
b. Electronic Money Issuer	USD25,000
c. Operator or a Payment System	USD 25,000
d. Digital Asset Token Offering (DATO)	USD25,000

An Offshore Financial Technology Licensee shall pay to the Service Provider a one-time integration/probity/audit platform fee in the amount of Ten Thousand United States Dollars (USD10,000.00) or its Philippine Peso equivalent.

There shall be a conduct of probity checking on an annual basis and/or re-probity checking on as need basis whenever there is a material change in the company information such as substantial change to the company's officers and directors, change of corporate name, address, articles of incorporation, and change of jurisdiction. The re-probity fee shall be charged and to be paid directly to the Service Provider amounting to Two Thousand Five Hundred United States Dollars (USD2,500.00) or its Philippine Peso equivalent.

The annual business renewal fee for the Offshore Financial Technology Business Activities shall be 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. For the Authorized Service Provider, 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 Offshore Financial Technology transaction fees shall be computed in the following manner:

- a. A fee of 5% of the gross monthly business transaction value generated through a DATO, Electronic Money Issuance Services, and Payment System Services, will be divided as follows:

50% to Central Audit System  
50% CEZA



- b. A recurring fee of 0.1% of each transaction value generated by a Cryptocurrency Exchange, or 2,000 USD per month whichever is higher, will be divided as follows:

50% to Central Audit System  
50% CEZA

**Section 9. Surcharge for late payment of fees** – A Licensee shall pay to CEZA a fee prescribed under Section 7 of this CEZA OFTLRR, as amended, for the grant of the License and its renewal on an annual basis.

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 for the Calculation of the Offshore Financial Technology Transaction Fee Share** – A Licensee shall pay the transaction fee share (Annex A) within fifteen (15) calendar days upon receipt of the billing invoice from the respective department of CEZA.

A Licensee shall provide to CEZA the information needed for calculating the monthly transaction fee share within five (5) calendar days of the following month. The information shall be in an approved form by CEZA.

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 in the cancellation of the 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 United States 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 in the forfeiture of the bond and cancellation of the 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 the due date will cause the immediate suspension of the Offshore Financial Technology 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** – 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 and Chief Executive Officer, 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 and Chief Executive Officer, 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 Offshore Financial Technology business-related activities under this CEZA OFTLRR, as amended, CEZA shall consider the following:

- a. The character, business reputation, and financial background of each Authorized Representative of the applicant;
- b. The applicant's current financial position and whether the applicant has the financial, technical, and other resources to conduct Offshore Financial Technology 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 License is committed to implement the submitted Business Plan in the CSEZFP;
- h. The applicant shall follow policies and take affirmative steps to prevent money laundering and other suspicious transactions associated with Offshore Financial Technology business-related 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 a 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 an Authorized Representative of the applicant; or
- b. Is or will be involved in the management or operation of the applicant's operations.

For the purpose of this section, CEZA may require an individual applicant or the authorized representative, in the case of an applicant corporation, to have his or her photograph, fingerprints, 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 Offshore Financial Technology business-related activities 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 and Chief Executive Officer, may grant a License to such an existing Offshore Financial Technology business if it can be shown that they have been operating within a jurisdiction with controls and regulations on Offshore Financial Technology business comparable to these regulations to ensure the integrity of the Offshore Financial Technology business and the suitability of the operations. CEZA must be satisfied that the applicant is committed to, and can demonstrate the applicant's 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 Offshore Financial Technology business; and
- c. Overall fairness and transparency in conducting Offshore Financial Technology business activities.

If upon commencement of the Licensee'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 the 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 the 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 Licensee rectifying a contravention of this CEZA OFTLRR as amended; or
- b. Arises as a result of the Licensee having its license suspended or revoked after failing to rectify a contravention of this CEZA OFTLRR, as amended; or
- c. Arises as a result of the Licensee 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 and Chief Executive Officer:

- 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 and Chief Executive Officer 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 and Chief Executive Officer 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 and Chief Executive Officer, 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 may include in a License any other terms and conditions that are necessary or desirable to the public interest, within the standards for the proper conduct of Offshore Financial Technology business-related 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 and Chief Executive Officer 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 and Chief Executive Officer, 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 and Chief Executive Officer.
  - vi. The Office of the Administrator and Chief Executive Officer 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 Offshore Financial Technology business conducted by the Licensee.
- b. Provisional Offshore Financial Technology License – the CEZA shall authorize the Licensee to establish, operate, conduct, and maintain Cryptocurrency Exchange and Transmission services, transactions, and conversions, using a platform equipped with Distributed Ledger Technology (“Blockchain”), which are conducted outside of the Philippine jurisdiction at the CSEZFP. This authority shall include the authority to issue Initial Coin Offerings, Token Generation Events, and/or Stablecoins activities conducted and transacted outside of the Philippine jurisdiction.

- i. The Provisional License shall be granted for a period of six (6) months from its issuance;
- ii. The Provisional License holder has the authority to conduct any of the following activities depending on which type of License was given to Licensee: Cryptocurrency Exchange, Initial Coin Offerings, Token Generation Events, Stablecoins, Electronic Money Issuance, and being an Operator of a Payment System; and
- iii. The Provisional Licensee warrants that it shall comply with all the terms and conditions of the Licensing Agreement and this CEZA OFTLRR, as amended.

Section 19. **Form of License or Authorization** – An Offshore Financial Technology License or Certificate of Registration (COR), 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 Offshore Financial Technology related activities;
- c. The description of the authorized Offshore Financial Technology business to conduct;
- d. Commencement and termination dates of the License or COR;
- e. A clause stating that CEZA and its employees 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 Offshore Financial Technology 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 based on 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 Offshore Financial Technology 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 subsection, 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 this OFT Licensing Rules and Regulations for at least three (3) instances;
- vi. The Licensee or any of its Authorized Representatives 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 Offshore Financial Technology business-related activities; or 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 and Chief Executive Officer, 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 and Chief Executive Officer.

CEZA and the Office of the Administrator and Chief Executive Officer 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 and Chief Executive Officer 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 and Chief Executive Officer 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 and Chief Executive Officer given to the Licensee, operates immediately once the notice is given, and continues to operate until CEZA, through the Office of the Administrator and Chief Executive Officer, 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 Offshore Financial Technology business while the suspension or revocation is in force.

CEZA, through the Office of the Administrator and Chief Executive Officer, 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 Offshore Financial Technology 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 the Offshore Financial Technology business duty continues during the period when the License is suspended.

Section 23. **Surrender of License** – The CEZA, through the Office of the Administrator and Chief Executive Officer, 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 and Chief Executive Officer, 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 CEZA OFTLRR, as amended, and other regulations.

Section 24. **Renewal of License** – A licensee shall apply in writing to CEZA, through the Office of the Administrator and Chief Executive Officer, 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 and Chief Executive Officer, may refuse to renew a License on any grounds under this CEZA OFTLRR, as amended, upon which the Office of the Administrator and Chief Executive Officer 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 and Chief Executive Officer given to the Licensee, operates immediately once the notice is given, and continues to operate until CEZA, through the Office of the Administrator and Chief Executive Officer, lifts the suspension or the effectivity of the suspension expires, whichever comes first.

Section 25. **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 OFTLRR, as amended, and without the written approval of the CEZA.

Section 26. **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 and Chief Executive Officer.

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 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 CEZA OFTLRR, as amended, 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 27. **Bank Accounts** – The Licensee through its Authorized Representative is required to keep a bank account with a Local Bank and Trust Account/s with a reputable International Trust Institution 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 are approved in writing by CEZA, through the Office of the Administrator and Chief Executive Officer.

A reputable International Trust Institution must be registered in a country with no financial sanctions, have a Trust License issued by the respective government agency of their country, must be a registered member of Trust Companies Association or the equivalent association in the country of registration, must be in operations for a minimum of five (5) years and must have a minimum Two Hundred Fifty Million United States Dollars (USD250,000,000) under management.

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 (USD500,000.00) or its Philippine Peso equivalent and other penalties as may be imposed pursuant to this CEZA OFTLRR, as amended, and other regulations.

#### **Rule IV – Compliance Programs**

A Licensee shall conduct an Initial Risk Assessment (IRA) that will consider legal, financial, and economic risks associated with 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 CEZA, and shall modify its compliance programs as appropriate to reflect any such changes.

Section 28. **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 Offshore Financial Technology business activities.

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

- a. Each Licensee shall conduct an IRA 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 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 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 a 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, 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 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 Offshore Financial Technology transactions. Each Licensee shall maintain the following information for all Offshore Financial Technology 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 account holders 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 the 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 Offshore Financial Technology 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 Ten Thousand United States Dollars (USD10,000) in one day, by one Person, entity or the same group of entities, the Licensee shall notify 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 Offshore Financial Technology 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 Cryptocurrency 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 database. 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 Offshore Financial Technology business activities with entities that do not have a physical presence in any country, especially in the Philippines.
  - iv. Identification is 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 29. **Data Privacy and Cyber Security Program** - Within five (5) months from the issuance of an Offshore Financial Technology 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 working under the Offshore Financial Technology 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 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 30. 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 any other predominant language spoken by the customers of the Licensee, all material risks associated with its products, services, and activities and Cryptocurrency generally, including at a minimum, the following:

- a. Cryptocurrency 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 CEZA, Philippine, or international level may adversely affect the use, transfer, exchange, and value of Cryptocurrency or any other Offshore Financial Technology transaction;
- c. Offshore Financial Technology transactions may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable;

- d. Some Offshore Financial Technology 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 Cryptocurrency may be derived from the continued willingness of market participants to exchange Fiat Currency for Cryptocurrency, which may result in the potential for a permanent and total loss of value of a particular Cryptocurrency should the market for that Cryptocurrency disappear;
- f. There is no assurance that an entity/Participant who accepts a Cryptocurrency as payment today will continue to do so in the future;
- g. The volatility and unpredictability of the price of Cryptocurrency relative to Fiat Currency may result in significant losses over a short period of time;
- h. The nature of Cryptocurrency may lead to an increased risk of fraud or cyber-attack;
- i. The nature of Cryptocurrency means that any technological difficulties experienced by the Licensee may prevent the access or use of a Participant's Cryptocurrency;
- 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 31. **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 English language and 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 Offshore Financial Technology platform and CEZA.

Section 32. **Disclosures of the Terms of Transactions** – Prior to each transaction of Offshore Financial Technology 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 Cryptocurrency 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 33. **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 34. **Approval of an Offshore Financial Technology Business Activities** – A Licensee shall conduct Offshore Financial Technology business activities pursuant to its License duly issued by CEZA and in compliance with the following:

- a. Business Plan and Structural Programs of Licensee’s proposed Offshore Financial Technology business Licensee as reviewed and approved by CEZA;
- b. The Anti-Money Laundering Program, Data Privacy and Security Program, Cyber Security Program, and other policy required by CEZA; and
- c. Compliance with all applicable laws and regulations imposed by CEZA, the Republic of the Philippines, and other respective regulatory bodies 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 35. **Amendments in Compliance Programs and Control Systems** – A Licensee shall submit any amendment or shifts in its Compliance Programs (as enumerated in Rule IV of this OFTLRR, as amended) for review and approval by CEZA, through the Office of the Administrator and Chief Executive Officer, at least thirty (30) calendar days prior to their effectivity. Failure to do so shall subject the Licensee to penalties under Section 27 of this OFTLRR, as amended.

Section 36. **Notification of Changes** – A Licensee shall submit any proposed change in control or Ownership, Authorized Representatives, or financial resources for review and/or approval by CEZA, through the Office

of the Administrator and Chief Executive Officer, 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 CEZA, through the Office of the Administrator and Chief Executive Officer, 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 subsection, 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 Authorized Representatives, the Licensee shall submit a written application to CEZA, through the Office of the Administrator and Chief Executive Officer, in a form and substance acceptable to said office, including but not limited to detailed information about the proposed Authorized Representative's name, address, nationality, profession, and prior experience in Offshore Financial Technology business-related activities.

- b. A Licensee shall submit to 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 OFTLRR, as amended.

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

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

Section 37. **Books, Reports, and Audit** - Within thirty (30) days from the issuance of the Provisional License, a Licensee shall have integrated and shall maintain a connection with CEZA Central Audit System and preserve all

books and records relating to their Offshore Financial Technology 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 CEZA, in a form approved by CEZA, indicating the amounts paid in relation to the Transaction Fee Sharing and other prescribed information by 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 and Chief Executive Officer.

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 CEZA shall be in an approved form and be submitted at the time stated in the respective notice.

CEZA, through the Administrator and Chief Executive Officer, 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 a fine of not exceeding Two Hundred Thousand United States Dollars (USD200,000) or its Philippine Peso equivalent.

**Section 38. Inspection and Audit** – A Licensee shall always be connected to the Offshore Financial Technology 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 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 CEZA; and
- d. Status of such other matters that CEZA may determine, including but not limited to, activities/operations conducted outside the CSEZFP that may affect its License and Offshore Financial Technology 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 OFTLRR, as amended.

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 CEZA.

On receiving an Auditor's Report, the Regulator may, by a written notice issued by the Office of the Administrator and Chief Executive Officer and given to the Licensee, require the Licensee to submit to 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 the 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 39. **Special Audit** – CEZA may, by a written notice issued by the Office of the Administrator and Chief Executive Officer 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 CEZA is satisfied that the Licensee:

- a. May have insufficient financial, technical, or other resources to Offshore Financial Technology business in accordance with its License and the provisions of this CEZA OFTLRR, as amended; or
- b. May have undertaken fraudulent acts or crime/s punishable under the Revised Penal Code of the Philippines in conducting Offshore Financial Technology business activities under its License; or

- c. May have provided false or misleading reports under this CEZA OFTLRR, as amended.

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 CEZA.

The Auditor shall give a copy of the report to 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 40. Investigation of License** – 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 OFTLRR, as amended.

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

## **RULE VI – Licensees**

**Section 41. Licensee Status** – Only Licensees shall be allowed to participate in the operations of the CEZA Offshore Financial Technology business-related activities and be granted a status of “Licensee” subject to securing of a License and a CEZA Certificate of Registration from CEZA pursuant to these regulations and such rules and procedures to be implemented by CEZA’s Central Audit System.

The Licensee has the authority to conduct all activities licensed for or the conduct of Offshore Financial Technology type of business activities or operations. The Licensee is prohibited to grant sub-license. Sub-license means a License granted by a Licensee to any other person or company that grants some or all of the rights acquired under the original License granted by CEZA.

**Section 42. Provisional License** – A License that will be granted by CEZA to the Licensee upon approval of the application, probity requirements, and payment of the required fees.

The following documents must be submitted to CEZA and to the Authorized Probity Checker for probity checking:

**Application Requirements:**

- a. Letter of Intent (*addressed to the CEZA Administrator and Chief Executive Officer*);
- b. CEZA Application Forms;
- c. Business Plan;
- d. Articles of Incorporation and By-Laws;
- e. Certificate of Incorporation;
- f. Company General Information Sheet or Registration (*or its equivalent*) showing that the company has the required Minimum Authorized Capital and Minimum Paid-up Capital set forth by CEZA;
- g. Audited Financial Statement (*if unavailable, provide Income Statement certified by a Certified Public Accountant*);
- h. Board Resolution indicating:
  - the company is applying for (*type of License*)
  - appointment of the Authorized Representative (*include the duties, responsibilities, and powers of the Authorized Representative*); and
- i. Acceptance of Appointment of the Authorized Representative (*include scanned copy of Passport*)

**Probity Requirements:**

- a. Company Probity Form (*can be signed by the Authorized Representative by virtue of the Board Resolution*)
  - List of companies holding greater than fifteen percent (15%) of the issued share capital (*if none, advise accordingly*);
  - List of largest shareholders with a description showing the full name and address of each shareholder with the relevant number and percentage of shares held by each;
  - List of ultimate beneficial owners with a description showing the full name and address of each beneficial owner with the relevant number and percentage of shares held by each; and
  - Bank Reference Certification
- b. Personal Probity Form (*to be accomplished by each of the Directors, Members, Shareholders, including the Authorized Representative*)
  - Curriculum Vitae;
  - Two (2) Proof of Identity (*issued by the government in the country of residence*); and
  - Bank Reference Certification

Section 43. **Full License** – A License granted to incumbent Offshore Financial Technology Licensee possessing Provisional License, who have successfully integrated with CEZA Audit Platform and are prepared to commence operations within the CSEZFP.

The following are the requirements for granting of a Full License:

**Integration Requirements**

- a. Integration with CEZA Audit Platform
- b. Integration with CEZA KYC and AML/CTF Reporting Platform
  - Internal AML/CTF Policies

**Audit and Certification**

- a. Cybersecurity Audit and Certification by a Cybersecurity Provider, with International standards
- b. Data Privacy Plan and Certification by a Cybersecurity Provider, with International standards
- c. Physical Security Audit and Business Continuity Plan Certification by a Crisis Management and Security Provider, with International standards

**Infrastructure Requirements**

- a. Office lease or provisioning in the CSEZFP
- b. Network and telecommunication provisioning with a data center registered in CEZA

Section 44. **Types of Licenses** – A corporate business entity can be afforded a License by CEZA in the use of the Offshore Financial Technology business activities which may refer to any of the following types of activities that take place outside the Philippines:

- a. The use of a:
  - i. Digital Asset Token Offering
  - ii. Payment System
- b. The conduct of:
  - i. Cryptocurrency Exchange
  - ii. Electronic Money Issuance

CEZA authorizes the Offshore Financial Technology Licensee to establish, operate, conduct, and maintain transmission services, transactions, and conversions, using a platform equipped with Distributed Ledger Technology (“Blockchain”) which are conducted outside of Philippine jurisdiction at the CSEZFP and the maintenance of data servers within the CSEZFP to service Offshore Financial Technology operations.

CEZA allows the Licensee to conduct Offshore Financial Technology business activities. Offshore Financial Technology Service shall mean any of the following conversions that take place outside the Philippines (*Trading Platforms, Exchanges, Wallets, and Payment Solutions of Cryptocurrency*):

- 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.

The Licensee has the authority to conduct Initial Coin Offerings or Token Generation Events (Digital Asset and Token Offerings) and the acquisition of cryptocurrencies, including utility tokens, security tokens, and stablecoins.

## **Rule VII – Rules on Digital Asset and Token Offerings**

### **Section 45. Filing and Publication of Offer Document**

Section 45.01. Subject to Section 45.02, no person shall offer Digital Assets in the form of a DATO unless prior to such offer, the Issuer publishes in electronic form an Offer Document and, prior to publication of such Offer Document, the Issuer files it with CEZA.

Section 45.02. CEZA shall not accept for filing a copy of an Offer Document unless:

- (a) a copy thereof has been furnished to CEZA prior to such filing; and
- (b) it is accompanied by a certificate signed by each of the directors, as well as the relevant officers (including, but not limited to, the Chief Executive Officer and President, or equivalent officer), of the Issuer certifying that the Offer Document satisfies the requirements in schedule Rules and is, to the best of their collective knowledge, true and accurate in all material respects.

Section 45.03. CEZA shall notify the Issuer or the DA Agent that the Offer Document complies with this CEZA OFTLRR, as amended within the timeframe provided by CEZA. Such decision may be reviewed or modified by CEZA at its own instance and the Issuer or the DA Agent, as the case may be, in writing of CEZA's intention to undertake a review thereof within such timeframe as CEZA may provide.

Section 45.04. An Offer Document shall be valid for twelve (12) months after its acceptance by CEZA or, if later, successful completion of its review by CEZA.

Section 45.05. An Issuer may take into account the advice of one or more Experts in determining that the Offer Document is true and accurate in all material respects; *Provided*, that the Issuer selects each Expert in accordance with the relevant provisions of the Code of Conduct; *Provided, further*, that the Issuer has alerted each Expert to the application of these Rules to the Expert



and the Expert's potential liability under these Rules.

#### Section 46. **Contents of an Offer Document**

Section 46.01. Every Offer Document shall be drawn up in accordance with the provisions of Schedule 1 of these Rules.

Section 46.02. The Offer Document shall also comply with any other requirement as may be required by applicable law and any Code of Practice.

Section 46.03. Nothing in this Section 46 shall be construed as preventing an Issuer from including in the Offer Document such additional information considered relevant with respect to the DATO; *Provided*, that such information shall be included in the Offer Document in accordance with the requirements of these Rules; *Provided, further*, that such information may be considered by CEZA in the course of their respective evaluation or review of such Offer Document.

#### Section 47. **Corrections to the Offer Document**

Section 47.01. Where any part of a filed or published Offer Document ceases to be true or accurate in any material respect, or becomes misleading, the Issuer shall, within ten (10) days after becoming aware of that fact:

- (a) publish supplementary particulars disclosing the material changes; and
- (b) file a copy of the supplementary particulars, signed by an Officer thereof duly authorized to do so, with CEZA.

Section 47.02. Except as otherwise stated in the preceding section, such supplementary particulars shall be filed in accordance with Section 45 and published in accordance with at least the same arrangements as were applied when the original Offer Document was published. The summary, and any translations thereof, shall also be supplemented, if necessary, to take into account the new information included in the supplementary particulars.

#### Section 48. **Certification by CEZA and DA Agent Obligations**

Section 48.01. An Issuer undertaking a Tier 3 DATO and/or an Issuer undertaking a Tier 2 DATO which has voluntarily applied for certification thereof shall:

- (a) have agreed with an Offshore Cryptocurrency Exchange and put in place all necessary arrangements, including those required by the pertinent rules and regulations issued by CEZA, to have its Digital Assets listed or admitted to trading on the Offshore Cryptocurrency Exchange;

- (b) have agreed with a wallet provider and/or custodian, as the case may

be, that is accredited pursuant to the pertinent rules and regulations issued by CEZA (i) that the Digital Assets subject to the DATO will be held by such wallet provider and/or custodian, and (ii) that such wallet provider and/or custodian shall have put in place all arrangements required by those rules and regulations to effect the provision of such service in accordance with any requirement in those rules and regulations and in the Code of Practice; and

(c) be certified by CEZA in accordance with Section 48.02 of these Rules.

Section 48.02. In order to be certified by CEZA, the Issuer must appoint, and have in place for such period as its Digital Assets are listed on an Offshore Cryptocurrency Exchange, a DA Agent. Such DA Agent shall be independent from the Issuer and shall confirm to CEZA for this purpose such DA Agent's independence in writing if required.

Section 48.03. The DA Agent shall:

- (a) advise and guide the Issuer as to its responsibilities and obligations to ensure compliance with these Rules and any Code of Practice;
- (b) advise and guide the Issuer on all matters relating to admission of the Issuer's Digital Assets to trading on an Offshore Cryptocurrency Exchange and their ongoing trading thereon;
- (c) disclose to CEZA without delay any breach by the Issuer of the Code of Practice of which it is aware or has reasonable suspicion;
- (d) disclose to CEZA without delay any information or explanation that CEZA may reasonably require relating to the DATO and the admission to trading and ongoing trading of the Issuer's Digital Assets on an Offshore Cryptocurrency Exchange;
- (e) act as a liaison between the Issuer and CEZA on all matters arising in connection with the DATO and the admission to trading and ongoing trading of the Issuer's Digital Assets on an Offshore Cryptocurrency Exchange;
- (f) advise CEZA in writing without delay of its resignation, and the intention to surrender its registration that permits it to act as a DA Agent, or if its appointment as the DA Agent of an Issuer is terminated, giving details of any relevant fact or circumstance. The DA Agent shall send a copy of such notice to the Issuer;
- (g) submit to CEZA a Certificate of Compliance confirming that the Offer Document satisfies the requirements in Schedule 1 of this Rules on or before the date on which the Issuer files the Offer Document with CEZA in accordance with Section 45.01 and a Certificate of

Compliance confirming that it has performed its obligations under this Section 48.03 on an annual basis thereafter; and

- (h) comply with such other rules and requirements as CEZA may prescribe from time to time.

Section 48.04. In discharging its obligations under Section 48.03, a DA Agent shall:

- (a) deal with CEZA in an open and cooperative manner;
- (b) deal promptly with all enquiries raised by CEZA; and
- (c) disclose to CEZA any relevant information relating to itself or the Issuer of which it has knowledge and which relates to material non-compliance with any of the provisions of these Rules or any Code of Practice, within ten (10) days after becoming aware of the material non-compliance. In discharging its obligations hereunder, the DA agent shall determine what is material non-compliance by considering:
  - (i) whether any loss has or may be suffered by the Issuer or the Issuer's investors or potential investors;
  - (ii) the frequency with which non-compliance has occurred;
  - (iii) whether the non-compliance is systemic; and
  - (iv) the ability of the Issuer to continue offering Digital Assets.

#### Section 49. **Rules for Asset-Backed DATOs**

Section 49.01. In addition to the requirements set forth in Sections 45 to 48, an Issuer who intends to offer a Digital Asset backed by a Collateral Asset in the form of a DATO, as well any Relevant Person in relation to Asset-Backing Representations, Asset-Backing Certifications, and other matters covered by this Article, shall be subject to the provisions of this Article.

#### Section 49.02. **Prohibition on Making an Asset-Backing Representation Concerning Digital Assets**

- (a) A Relevant Person must not make, whether by statement or other conduct, directly or indirectly, an Asset-Backing Representation in relation to one or more Digital Assets unless the circumstances set out in Section 49.03 apply.
- (b) A Relevant Person must ensure that its officers, employees and agents do not make, whether by statement or other conduct, directly or indirectly, an Asset-Backing Representation in relation to one or more Digital Assets unless the circumstances set out in Section 49.03 apply.

Section 49.03. **Complying Asset-Backing Representation** –

Notwithstanding Section 49.02, a Relevant Person may make or cause to be made, whether by statement or other conduct, an Asset-Backing Representation in relation to one or more Digital Assets if, at the time of making the Asset-Backing Representation:

- (a) the Issuer of each of the relevant Digital Assets to which the Asset-Backing Representation relates has made and continues to make an Asset-Backing Disclosure in relation to that Digital Asset to the public which was last updated not more than six (6) months before the representation; and
- (b) either:
  - (i) CEZA has determined in writing pursuant to Section 49.04 that an Asset-Backing Certification is not required in relation to all of the Digital Assets to which the Asset-Backing Representation relates; or
  - (ii) in any other case, an Asset-Backing Certification has been made by an Asset-Backing Auditor in respect of each of the Digital Assets to which the Asset-Backing Representation relates, not more than twelve (12) months prior to the making of the Asset-Backing Representation.

**Section 49.04. Determination Regarding an Asset-Backed Certification**

– In determining whether or not an Asset-Backing Certification is required in relation to a Digital Asset or an Asset-Backing Representation under Section 49.03, CEZA may take account of any matters it considers relevant including:

- (a) the value and size of the DATO of, or the current or future market in, the Digital Asset;
- (b) the type of assets which would be described in the Asset-Backing Representation;
- (c) the number, location, and types of jurisdictions where the Digital Asset is or will be offered or may trade; and
- (d) the extent to which the issuer of the Digital Asset is subject to regulation in other jurisdictions in relation to the reliability of any Asset-Backing Representation.

**Section 49.05. Asset-Backing Auditors**

- (a) A person may apply to CEZA for accreditation, and CEZA may issue an accreditation certificate to a person to act, as an Asset-Backing Auditor.
- (b) In licensing or accrediting an Asset-Backing Auditor, CEZA may determine or prescribe in writing:
  - (i) appropriate skills and qualifications for appointment as an

- Asset-Backing Auditor which may include appropriate financial investigation, accounting and legal skills and qualifications;
- (ii) other requirements for appointment as an Asset-Backing Auditor;
  - (iii) an application fee for a person applying for an accreditation certificate; and
  - (iv) an annual fee for a person to hold an accreditation certificate.
- (c) CEZA shall conduct the accreditation of an Asset- Backing Auditor, subject to rules, orders or guidelines to be issued by CEZA, through the Office of the Administrator, pursuant to Section 49.05 (b).

#### Section 49.06. **Asset-Backing Certifications**

- (a) An Issuer of a Digital Asset or any other person may request an accredited Asset-Backing Auditor to provide an Asset-Backing Certification in relation to that Digital Asset.
- (b) An Asset-Backing Certification can only be issued by an accredited Asset-Backing Auditor, and in accordance with Section 50.06 (c).
- (c) An Asset-Backing Auditor must carefully investigate and be satisfied as to the truth of the matters in relation to a Digital Asset which it is required to certify as set out in the Schedule 2, as at the date of the Asset-Backing Certification.
- (d) An Asset-Backing Auditor must give a copy of its investigation report to CEZA immediately after completion of the investigation and a copy of any Asset-Backing Certification.
- (e) On receiving an Asset-Backing Auditor's report, CEZA may, by written notice and given to the Issuer or other Relevant Person who requested the Asset-Backing Certification, require the Issuer or other Relevant Person to submit to CEZA further information about a matter relating to the Digital Asset mentioned in the report. The Issuer or other Relevant Person shall submit the required information within the time stated in the notice.
- (f) The cost of investigation and Asset-Backing Certification shall be for the account of the Issuer or other Relevant Person requesting the Asset-Backing Certification.

Section 49.07. CEZA shall publish a list of current Asset Backing Certifications and the dates on which they were made. CEZA is not liable for any errors or omissions in any list it publishes.

Section 49.08. CEZA requires all Issuers prior to engaging in any business-related to Digital Assets backed by Collateral Assets, to comply with the

following:

- (a) Provide CEZA with its internal rules and regulations in the conduct of its business on Asset Tokens;
- (b) The deposit of funds in an amount and to a trust institution to be determined by CEZA prior to the issuance of any asset-backed Cryptocurrency; and
- (c) Provide a performance bond or equivalent in an amount acceptable to CEZA.

#### **Section 50. Compliance with Applicable Laws on the Offering of Securities and Financial Crime**

Section 50.01. An Issuer shall ensure that it complies with the laws and regulations applicable to the offer of Digital Assets to persons in any jurisdiction where it is considered to offer Digital Assets under the laws and regulations of such jurisdiction. For the avoidance of doubt, any DATO made to persons within the jurisdiction of the Philippines shall comply with the relevant laws, rules, and regulations that may govern such offering thereat.

Section 50.02. An Issuer of Asset Tokens or Cryptocurrency shall provide to CEZA, at their request, evidence that it is not unlawful to offer such Digital Assets to persons in any jurisdiction where the Issuer intends to offer or has offered such Digital Assets in relation to its DATO.

Section 50.03. An Issuer shall, in relation to a DATO, ensure that it applies appropriate measures relating to identification and verification of persons participating in the DATO or to whom such Digital Assets are issued.

Section 50.04. Appropriate measures shall include such measures as should be sufficient to comply with all laws and regulations applicable to the Issuer and any Code of Practice.

Section 50.05. Nothing in this CEZA OFTLRR, as amended or any Code of Practice shall be understood to mean that CEZA has approved, consented to, or endorsed the offer of Digital Assets to persons in any jurisdiction or has indicated that any such offer complies with the laws and regulations applicable in such jurisdiction.

#### **Section 51. Security of Digital Assets, Confidentiality and Disclosure of Information**

Section 51.01. An Issuer shall ensure that appropriate mechanisms are in place in respect of the security of Digital Assets issued by it, confidentiality, disclosure of information and connected matters, and that applicable laws and regulations are complied with in these respects.

Section 51.02. An Issuer undertaking a DATO of Asset Tokens, Utility

Tokens, and/or Stablecoins may be required to provide evidence to CEZA as to the cryptographic existence, characteristics, and security of its Digital Assets. CEZA and/or the CEZA Central Audit may require that such evidence takes the form of an audit undertaken by a provider of such services that is accredited by CEZA and is compliant with any rule or regulation that may be issued by CEZA for this purpose.

Section 51.03. An Issuer shall disclose to CEZA without delay any material failure to comply with any of the provisions of these Rules or the Code of Practice.

## Section 52. Penalties

Section 52.01. A person who offers Digital Assets in the form of a DATO without complying with the requirements set forth in Section 45.01 or otherwise contravenes the provisions of Section 45 shall be liable to pay a fine not exceeding Five Hundred Thousand United States Dollars (US\$500,000.00) or its Philippine Peso equivalent. A Director or Officer of the Issuer who was knowingly involved in the breach shall be liable to pay a fine not exceeding Five Hundred Thousand United States Dollars (US\$500,000.00) or its Philippine Peso equivalent.

Section 52.02. A person who contravenes Section 47 or Section 48 shall be liable to pay a fine not exceeding Five Hundred Thousand United States Dollars (US\$500,000.00) or its Philippine Peso equivalent. A director or officer of the Issuer or DA Agent, as the case may be, who was knowingly involved in the breach shall be liable to pay a fine not exceeding Five Hundred Thousand United States Dollars (US\$500,000.00) or its Philippine Peso equivalent.

Section 52.03. Any person (such as an Issuer, a Director or Officer of an Issuer and, where applicable, a DA Agent and an Expert) who makes or authorizes the making of a statement in a filed or published Offer Document that is not true and accurate in all material respects or is misleading, unless he proves either that at the time he made the statement he had reasonable grounds to believe it was so true and accurate or was not misleading, shall be liable to pay a fine not exceeding Five Hundred Thousand United States Dollars (US\$500,000.00) or its Philippine Peso equivalent. A Director or Officer of the Issuer or a promoter of the DATO who was knowingly involved in the breach shall be liable to pay a fine not exceeding Five Hundred Thousand United States Dollars (US\$500,000.00) or its Philippine Peso equivalent.

Section 52.04. A Relevant Person who contravenes Section 49.02 shall be liable to pay a fine as follows: (1) if the person is an individual, by a fine not exceeding One Hundred Thousand United States Dollars (US\$100,000.00) or its Philippine Peso equivalent; (2) in any other case, Five Hundred Thousand United States Dollars (US\$500,000.00) or its Philippine Peso equivalent. In addition, if a Relevant Person

who contravenes Section 49.02 holds a License, Certificate of Registration, or any similar authority granted by CEZA, CEZA may suspend or cancel such License, Certificate of Registration, or similar authority.

Section 52.05. An Issuer or other Relevant Person that makes or publishes a false or misleading Asset-Backing Disclosure, or an Asset-Backing Auditor, or Relevant Person that makes or publishes a false or misleading Asset-Backing Certification, shall be liable to the penalty in Section 51.02.

Section 52.06. A person who contravenes Section 51.01 shall be liable to the penalty in Section 52.01.

Section 52.07. A person who contravenes Section 51.03 shall be liable to pay a fine not exceeding Ten Thousand United States Dollars (US\$10,000.00) or its Philippine Peso equivalent. A director or officer of the Issuer who was knowingly involved in the breach shall be liable to pay a fine not exceeding Ten Thousand United States Dollars (US\$10,000.00) or its Philippine Peso equivalent.

Section 52.08. Where a filed or published Offer Document invites persons to purchase Digital Assets of an Issuer, the following persons shall be liable to pay compensation to all those who prove that they purchased to their detriment any such Digital Assets in reliance on that Offer Document for the loss or damage they may have sustained by reason of any statement not being true and accurate in all material respects included therein which is relevant to the DATO:

- (a) the Issuer;
- (b) each Director and Officer of the Issuer that certified the Offer Document in accordance with Section 45.02; and
- (c) any Expert who permitted a statement or an extract of a report or valuation made by the Expert in his capacity as such to be included or referred to in the Offer Document or who consented to such use.

Section 52.09. No person shall be liable under Section 52.07 if he proves:

- (a) that the statement that was not true and accurate in all material respects was corrected or rectified in supplementary particulars published pursuant to Section 47.01 or, in the case of an Expert, that the Expert requested such correction or rectification;
- (b) that, after the issue of the Offer Document and before any issue thereunder, he, on becoming aware of a statement that was not true and accurate in all material respects therein, withdrew his consent thereto and gave reasonable public notice of the withdrawal and of the reason therefor; or



(c) that as regards:

- (i) every statement that was not true and accurate in all material respects not purporting to be made on the authority of an Expert or of a public official document or statement, he had reasonable grounds to believe, and did up to the time of the issue of the Digital Assets believe, that the statement was true;
- (ii) every statement that was not true and accurate in all material respects purporting to be a statement made by an Expert or contained in what purports to be a copy of or extract from a report or valuation of an Expert, it:
  - (A) fairly represented the statement, or was a correct and fair copy of or extract from the report or valuation; and
  - (B) he had reasonable ground to believe and did up to the time of the issue of the Offer Document believe that the person making the statement was competent to make it and had not withdrawn or altered it; and
- (iii) every statement that was not true and accurate in all material respects purporting to be a statement made by an Official Person or contained in what purports to be a copy of or extract from a public official document, it was a correct and fair representation of the statement or copy of or extract from the document.

Section 52.10. Where a filed or published Offer Document contains a statement by an Expert or contains what purports to be a copy of or extract

from a report or valuation of an Expert, which the Expert has withdrawn or altered, and such withdrawal or alteration has not been reflected in Supplementary Particulars, the directors and officers of the Issuer that certified that Offer Document in accordance with Section 45.02 and any other person who authorized the issue thereof shall be liable to indemnify the person named as aforesaid or whose consent was required as aforesaid, as the case may be, against the matters set forth in Section 52.11.

Section 52.11. The Directors and Officers of the Issuer referred to in Section 9.10 shall indemnify any such person referred to in Section 9.10 against all damages, costs and expenses to which he may be made liable by reason of his name having been inserted in the Offer Document or of the inclusion therein of a statement purporting to be made by him as an Expert, as the case may be, or in defending himself against any action or legal proceeding brought against him in respect thereof.

Section 52.12. A person shall not be deemed to have authorized the filing or publication of an Offer Document by reason only of the inclusion therein of

a statement purporting to be made by him as an Expert.

#### Section 53. **Code of Practice**

Section 53.01. CEZA shall issue a Code of Practice in relation to DATOs for the purpose of providing guidance as to the duties, requirements, and standards to be complied with and the procedures and principles to be observed by persons to whom or which this CEZA OFTLRR, as amended apply.

Section 53.02. Every person to whom these CEZA Rules and Regulations apply shall in the conduct of any DATO comply with the provisions of the Code of Practice.

Section 53.03. A failure by any person subject to Section 53.02 to comply with the Code of Practice shall be taken into account in determining whether the DATO is being conducted in accordance with this CEZA OFTLRR, as amended.

#### Section 54. **Miscellaneous Provisions**

Section 54.01. **Order** – CEZA is authorized to make orders, memoranda, and issuances not inconsistent with this CEZA OFTLRR, as amended to better carry out or give effect to the provisions hereof.

Section 54.02. **Repealing Clause** – All CEZA rules, regulations, circulars, and other issuances inconsistent with this CEZA OFTLRR, as amended are hereby superseded, repealed, amended, or modified accordingly.

### **Rule VIII**

#### **SCHEDULE 1**

#### Section 55. **Matters to be specified in an Offer Document**

Section 55.1. This Schedule sets out the requirements for an Offer Document.

Section 55.2. The Offer Document shall contain the information which, according to the particular nature of the Issuer and of the Digital Assets offered to the public, is necessary to enable investors to make an informed assessment of the prospects of the Issuer, the proposed Project, and of the features of the Digital Asset. This information shall be presented in an easily analyzable and comprehensible form.

Section 55.3. Certain information specified in this Schedule may be omitted from the Offer Document if:

- (a) disclosure of such information would be contrary to the public interest;
- (b) disclosure of such information would be seriously detrimental to the Issuer, provided that the omission would not be likely to mislead the public with regard to facts and circumstances essential for an informed assessment of the prospects of the Issuer, the proposed Project and of the features of the Digital Assets to which the Offer Document relates;
- (c) such information is of minor importance only for a specific offer and is not information that will influence an informed assessment of the prospects of the Issuer, the proposed Project and of the features of the Digital Assets to which the Offer Document relates; or
- (d) disclosure of such information is found to be inappropriate to the Issuer's sphere of activity or proposed activity, as the case may be, or its legal form or to the Digital Assets being offered, in which case the Offer Document shall contain equivalent information when available.

Section 55.4. The Offer Document shall be drafted in the English language and other additional languages, at the Issuer's discretion.

#### Section 56. **Summary**

Section 56.1. The Offer Document shall include a summary. The summary shall, in brief and non-technical language, provide key information in relation to the DATO. The format and content of the summary of the Offer Document shall provide, in conjunction with the Offer Document, appropriate information about essential elements of the Digital Assets concerned in order to aid investors when considering whether to invest in such Digital Assets. The summary shall be drawn up in a common format in order to facilitate comparability of the summaries of similar Digital Assets and its content should convey the key information of the Digital Assets concerned in order to aid investors when considering whether to invest in such Digital Assets. The summary shall also include a warning that:

- (a) it should be read as an introduction to the Offer Document;
- (b) any decision to invest in the Digital Assets should be based on consideration of the Offer Document as a whole by the investor; and
- (c) specific reference should be made to the detailed risk warning in the Offer Document.

Section 56.2. For the purposes of this paragraph, "key information" means essential and appropriately structured information which is to be provided to investors with a view to enabling them to understand the nature and the risks of the proposed Project, the Issuer and the Digital Assets that are being offered to them.

## Section 57. **The DATO**

At least, and to the extent it is applicable, the following information on the offer shall be provided in the Offer Document:

- (a) description of the reason behind the DATO;
- (b) detailed technical description of the protocol, platform, and/or application, as the case may be, and the associated benefits;
- (c) detailed description of the sustainability and scalability of the proposed Project;
- (d) associated challenges and risks as well as mitigating measures thereof;
- (e) detailed description of the characteristics and functionality of the Digital Assets being offered;
- (f) detailed description of the Issuer, DA Agent, Experts, Development Team, Advisors, and any other Service Providers that may be deployed for the realization of the Project;
- (g) detailed description of any wallet used by the Issuer;
- (h) description of the security safeguards against cyber threats to the underlying protocol, to any off-chain activities and to any wallet used by the Issuer;
- (i) detailed description of the life cycle of the DATO and the proposed Project;
- (j) detailed description of the past and future milestones of the Project and Project financing;
- (k) detailed description of the targeted investor base;
- (l) exchange rate of the Digital Assets;
- (m) description of the underlying protocol's interoperability with other protocols;
- (n) description of the manner in which funds raised through the DATO will be allocated;
- (o) the amount and purpose of the DATO;
- (p) the total number of Digital Assets to be issued and their features;
- (q) the distribution of Digital Assets;
- (r) the consensus algorithm, where applicable;
- (s) the incentive mechanism to secure any transaction and/ or any other applicable fees;
- (t) in the case of a new protocol, the estimated speed of transactions;
- (u) any applicable taxes;
- (v) any set soft cap and hard cap for the DATO;
- (w) the period during which the DATO is open;
- (x) any person underwriting or guaranteeing the DATO;
- (y) any restrictions on the free transferability of the Digital Assets being offered on the Offshore Cryptocurrency Exchanges and any other exchanges on which they may be traded, to the extent known by the Issuer;
- (z) methods of payment for the Digital Assets;

- (aa) specific notice that investors participating in the DATO will be able to get their contribution back if the soft cap is not reached at the end of the offering and detailed description of any refund mechanism, including the expected time-line when such refund will be completed or the fact that there is no refund mechanism;
- (bb) detailed description of the risks associated with the Digital Assets and the investment therein and the Project, which is to be displayed prominently in the Offer Document;
- (cc) the procedure for the exercise of any right of pre-emption attaching to the Digital Assets;
- (dd) detailed description of the smart contract, if any, deployed including inter alia the adopted standards, its underlying protocol, functionality, and associated operational costs;
- (ee) if any smart contract is deployed by the Issuer, details of any Auditor who performed an audit on it;
- (ff) description of any restrictions embedded in any smart contract deployed, if any, including inter alia any investment and/or geographical restrictions;
- (gg) any program agents used to obtain data and verify occurrences from smart contracts (also known as ‘oracles’) used and detailed description of their characteristics and functionality thereof;
- (hh) any bonuses applicable to early investors including inter alia discounted purchase price for Digital Assets;
- (ii) the period during which voluntary withdrawals are permitted by the smart contract, if any;
- (jj) description of the Issuer’s adopted procedures for compliance with the requirements of this CEZA OFTLRR, as amended;
- (kk) intellectual property rights associated with the offering and protection thereof; and
- (ll) the methods of and time-limits for delivery of the Digital Assets:

*Provided*, that CEZA shall have the power to waive or modify any of the above requirements within the context of a particular DATO, as the case may be.

#### Section 58. **Details of the Issuer**

The following details of the Issuer shall be set out in the Offer Document:

- (a) Name;
- (b) Registered address, registration number, and country of registration;
- (c) Date of registration;
- (d) The Issuer's object(s);
- (e) Where applicable, the group of undertakings to which the Issuer belongs;
- (f) Insofar as they are known, indication of the members who directly or indirectly exercise or could exercise a determining role in the Issuer's Administration; and
- (g) If applicable, details of any DA Agent appointed by the Issuer.

#### Section 59. **The Issuer's Principal Activities**

The Offer Document shall include a description of the Issuer's principal activities including the disclosure of any legal proceeding, whether pending or threatened, having an important effect on the Issuer's financial position.

#### Section 60. **The Issuer's Directors and Other Officers**

The Offer Document shall include the names, addresses, and functions of each director and other officer of the Issuer.

#### Section 61. **Benefits for Third Parties and Other Expenditure**

The Offer Document shall specify:

- (a) The amount or estimated amount of expenses incurred or to be incurred in connection with the issue and the persons to whom any of those expenses have been paid or are payable; and
- (b) Any amount or benefit intended to be paid or given to the DA Agent, an Expert or any other person playing a role in relation to the offering, and details of the consideration for the payment or the giving of the benefit.

#### Section 62. **Issuer's Financial Track Record**

Where the Issuer has been established for a period exceeding three years, details of its financial track record shall be included in the Offer Document.

## SCHEDULE 2

### Section 63. **Matters to be Included in an Asset-Backing Disclosure and in an Asset-Backing Certification**

1. A statement that any holder of the Digital Asset may on demand require named Holder(s) of Collateral Assets to exchange those Collateral Assets for the equivalent market value of the holder's Digital Asset, and an explanation of how such a demand may be made and in what time period the exchange will be completed.
2. A statement of any limitations on the right of exchange based on the amount or value of Digital Asset or Collateral Assets which can be exchanged in a particular time period.
3. For each Holder of Collateral Assets, a statement of:
  - (a) the name and address of the Holder of Collateral Assets;
  - (b) the type(s) of Collateral Assets held and the location of those Collateral Assets;
  - (c) the nature of the Holder's rights to the Collateral Assets;
  - (d) the legal system(s) to which the Holder and the Collateral Assets are subject;
  - (e) the market value of those Collateral Assets in US dollars; and
  - (f) in the case of a custodian, that such custodian is accredited pursuant to the pertinent rules and regulations issued by CEZA.
4. A statement that the right of the holder of the Digital Asset to require such an exchange is legally enforceable against the Holder of Collateral Assets in the jurisdiction(s) where the Holder of Collateral Assets and the Collateral Assets are located and a confirming opinion to that effect by a lawyer qualified to give that opinion in that jurisdiction, and an explanation of how such a right may be enforced.
5. A statement that the maker of the Disclosure or Certificate has verified the existence of the Collateral Assets and their availability for exchange by the Holder with the Digital Asset and their stated value in US dollars.
6. The proportion which the value of the Collateral Assets bears to the market value of the Digital Asset on issue.
7. How the value of the Digital Asset and the Collateral Assets will be calculated at the time of a demand to exchange the Digital Asset for Collateral Assets.
8. A statement whether there is any insurance or guarantee or indemnity supporting the right of exchange and if so, the name of the issuer and

a short description of the terms and where more details of the insurance or guarantee or indemnity may be found.

9. Such other matters as CEZA may determine from time to time.

### **SCHEDULE 3**

#### **Section 64. Threshold Amounts for DATO Tiers**

Section 64.1. **Tier-Based Classification** – DATOs under this CEZA OFTLRR, as amended shall be categorized into Tiers, i.e., Tier 1, Tier 2 and Tier 3, according to the amount sought to be raised thereby.

#### **Section 64.2. Threshold Amounts**

<b>Tier</b>	<b>Threshold Amounts</b> <i>(in United States Dollars, or other currency equivalent)</i>
Tier 1 DATO	Not exceeding Five Million United States Dollars (USD5,000,000)
Tier 2 DATO	Exceeding Five Million United States Dollars (USD5,000,000) but not exceeding Ten Million United States Dollars (USD10,000,000)
Tier 3 DATO	Exceeding Ten Million United States Dollars (USD10,000,000)

Section 64.3. **Periodic Review** – The foregoing threshold amounts shall be subject to quarterly review by CEZA and such adjustments thereto as market conditions or exigencies of effective regulation may require.

#### **Rule IX - Regulator**

Section 65. **Functions and Powers of the Regulator** – CEZA is hereby given authority to conduct necessary and reasonable acts towards the full enforcement of this CEZA OFTLRR, as amended, and shall likewise be authorized to amend, create, and abolish rules as current legal, financial, administrative, and economic circumstances demand.



Section 66. **Code of Practice** — Subject to the approval of CEZA as the regulator, the Office of the Administrator and Chief Executive Officer shall prepare a Code of Practice for Licensees. In preparing the Code of Practice, the Administrator and Chief Executive Officer 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 Offshore Financial Technology business activities;
- b. The rates and pricings in Offshore Financial Technology 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 the Licensees, CEZA, or Participants are to be resolved.
- e. The Code of Practice is a regulation that shall be treated in conjunction with the purposes and provisions of this CEZA OFTLRR, as amended.

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 67. **Complaints** – The Regulator shall cause to be investigated any complaint made to it or to the Office of the Administrator and Chief Executive Officer about a Licensees' operations or conduct of Offshore Financial Technology business activities.

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

Section 68. **Appointment of Inspector** – CEZA envisions that this CEZA OFTLRR, as amended, shall be implemented to ensure the integrity of the Offshore Financial Technology 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 Offshore Financial Technology business activities contemplated by these regulations.

For this purpose, CEZA, through the Office of the Administrator and Chief Executive Officer, 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 OFTLRR, as amended, 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 X - Remedies**

Section 69. **Motion for Reconsideration** - A Licensee may file a Motion for Reconsideration with the Office of the Administrator and Chief Executive Officer for all orders or decisions issued by the Office of the Administrator and Chief Executive Officer within fifteen (15) days from receipt of said order or decision on the following:

- a. Imposition of additional terms and conditions on the Offshore Financial Technology License made by CEZA;
- b. Suspension or revocation of the Offshore Financial Technology License;
- c. Refusal to rescind the suspension of the Offshore Financial Technology License;
- d. Refusal to renew the Offshore Financial Technology License;
- e. Refusal to approve a transfer of the Offshore Financial Technology License;
- f. An order, decision, or recommendation prescribed under this CEZA OFTLRR, as amended, of which an appeal can be made;
- g. Other orders, decisions, or recommendations issued by the Office of the Administrator and Chief Executive Officer with respect to the Offshore Financial Technology Licensee.

Section 70. **Appeal to the Board** – an Offshore Financial Technology 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 and Chief Executive Officer within fifteen (15) days from receipt of the order or decision appealed from.

Section 71. **Actions of CEZA** – CEZA or the Office of the Administrator and Chief Executive Officer 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 XI - Miscellaneous Provisions**

Section 72. **Marketing and Advertising** – Each Licensee shall advertise its Offshore Financial Technology 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 Offshore Financial Technology 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 73. **Confidentiality** – Any person who is or was officer, employee, inspector, or personnel of CEZA responsible for administering, enforcing, or monitoring this CEZA OFTLRR, as amended, shall not disclose information obtained in performing functions under this CEZA OFTLRR, as amended, and other CEZA mandates.

Disclosure of information is allowed if such disclosure shall be:

- a. Made pursuant to the mandates under this CEZA OFTLRR, as amended, or
- b. Made under the approval of the Regulator given under this section; or
- c. Authorized by any law or 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 74. **Forfeiture** – A court that finds a person guilty of an offense under this CEZA OFTLRR, as amended, may order that any Offshore Financial  
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Technology 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 75. **Order** – CEZA is authorized to make orders and memorandums not inconsistent with this CEZA OFTLRR, as amended, to better carry out or give effect to the provisions hereof.

Section 76. **Separability Clause** – If any provision of this CEZA OFTLRR, as amended, is declared unconstitutional or invalidated, the same shall not affect the validity of other provisions of this CEZA OFTLRR, as amended.

Section 77. **Effectivity** – This CEZA OFTLRR, as amended, shall take effect immediately upon its approval by the CEZA Board of Directors.

Approved. **30 January 2024.**



**KATRINA PONCE ENRILE**

Administrator and Chief Executive Officer

Approved:

**CEZA BOARD OF DIRECTORS**

CEZA Board Resolution No. 01-004-24



ANNEX A

REVISED OFFSHORE CRYPTOCURRENCY EXCHANGE TRANSACTION FEE (MONTHLY RECURRING FEE STRUCTURE)					
TIER #	MONTHLY VOLUME		RATE (%)	MINIMUM FEE	MAXIMUM FEE
1	0	2,000,000.00	0.10%	2,000.00	2,000.00
2	2,000,000.01	10,000,000.00	0.08%	2,001.00	7,500.00
3	10,000,000.01	50,000,000.00	0.0625%	7,501.00	31,250.00
4	50,000,000.01	100,000,000.00	0.05%	31,251.00	50,000.00
5	100,000,000.01	1,000,000,000.00	0.01%	50,001.00	100,000.00
6	1,000,000,000.01	2,000,000,000.00	0.01%	100,001.00	180,000.00
7	2,000,000,000.01	3,000,000,000.00	0.01%	180,001.00	240,000.00
8	3,000,000,000.01	4,285,714,285.00	0.01%	240,001.00	342,857.14
9	4,285,714,285.01	8,000,000,000.00	0.01%	342,858.14	640,000.00
10	8,000,000,000.01	13,000,000,000.00	0.01%	640,001.00	1,040,000.00
11	13,000,000,000.01	21,000,000,000.00	0.01%	1,040,001.00	1,680,000.00
12	21,000,000,000.01	34,000,000,000.00	0.01%	1,680,001.00	2,720,000.00
13	34,000,000,000.01	55,000,000,000.00	0.01%	2,720,001.00	4,400,000.00
14	55,000,000,000.01	89,000,000,000.00	0.01%	4,400,001.00	7,120,000.00
15	89,000,000,000.01	999,999,999,999.00	0.01%	7,120,001.00	80,000,000.00