PHILIFINTECH INNOVATION OFFICE

N O T I C E

The Commission hereby requests all interested parties to comment on the attached draft proposal on the issuance of the **"SEC Rules on Crypto-Assets Service Providers".**

Kindly address your comments to **Atty. Paolo Montano M. Ong,** 15th Floor, PhiliFintech Innovation Office (SEC), the SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila.

You may also email your comments to **fintech@sec.gov.ph** not later than **18 January 2025**.

Issued on 20 December 2024.

SEC MEMORANDUM CIRCULAR NO. _____

Series of 202_

SUBJECT: THE SEC RULES ON CRYPTO-ASSETS SERVICE PROVIDERS (SEC CASP RULES)

WHEREAS, the Philippines is experiencing a widespread adoption of crypto-assets. According to various studies, the Philippines ranks high in cryptocurrency adoption compared to other jurisdictions[1]. This new class of assets has various characteristics and use cases, one of which is as an investment product.

WHEREAS, according to the Philippine Statistics Authority, the total Philippine population amounts to 109,035,343 persons with an average age of 25.3 years old, based on the findings of the 2020 Census of Population and Housing (2020 CPH)[2]. At the same time, it is estimated that 562,000,000 cryptocurrency users globally as of 2024, the average age of users being 24-35 years old[3].

WHEREAS, the continued growth and development of new crypto-asset markets, services, and business models relies on clear, proportionate, and robust regulatory frameworks, which can ensure that markets are fair, efficient, and transparent. Financial consumers and investors rely on trustworthy intermediaries to transact with. This necessitates due regard for financial and operational resilience, transparency for consumers over applicable risks, redress for complaints, as well as measures to ensure proactive management of specific risks and characteristics of digital platforms and crypto-asset technology. In alignment with international standards, the SEC is establishing an affirmative legal framework to provide protection against consumer harms and systemic risks and to afford consumers the choice of engaging in crypto-asset activity with licensed and authorized intermediaries.

WHEREAS, the International Organization of Securities Commissions (IOSCO) has released policy recommendations[4] for the regulation of crypto and digital assets to support greater consistency with respect to regulatory frameworks and oversight in IOSCO member jurisdictions, to address concerns related to market integrity and investor protection arising from crypto-asset activities. The Recommendations have been developed under the stewardship of the IOSCO Board's Fintech Task Force (FTF) in accordance with IOSCO's Crypto-Asset Roadmap published in June 2022. The recommendations cover the range of activities, in crypto-asset markets that involve Crypto-Asset Service Providers, from offering, admission to trading, ongoing trading, settlement, market surveillance and custody as well as marketing and distribution (covering advised and non-advised sales) to retail investors.

WHEREAS, section 37 of the Republic Act 8799, otherwise known as the Securities Regulation Code (SRC), mandates the SEC to encourage competitiveness in the market by promulgating rules for the registration and licensing of innovative and other trading markets or

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[1] The 2024 Geography of Crypto Report. (2024). The 2024 Geography of Crypto Report. https://www.chainalysis.com/wp-content/uploads/2024/10/the-2024-geography-of-crypto-report-release.pdf

[2] https://psa.gov.ph/content/2020-census-population-and-housing-2020-cph-population-counts-declared-official-president

[3] The State of Global Cryptocurrency Ownership in 2024. https://www.triple-a.io/cryptocurrency-ownership-data

[4] Policy Recommendations for Crypto and Digital Assets Markets – Final Report. https://www.iosco.org/library/pubdocs/pdf/IOSCOPD747.pdf

Exchanges including the issuance and trading of innovative securities and technology-based ventures.

WHEREAS, section 6 of the Financial Products and Services Consumer Protection Act (R.A. 11765) (the 'FCPA'), provides that the SEC has the power to formulate rules and standards for the purpose of applying the provisions of the FCPA to specific financial products or services within the Philippine jurisdiction, guided by internationally accepted standards and practices, and may also issue rules of procedure;

WHEREAS, the FCPA widens the scope of financial regulators' authority over financial service providers to ensure investor protection, which includes market conduct surveillance and examination, market monitoring, and enforcement powers;

WHEREAS, consistent with the objectives of the Philippines Development Plan 2023-2028[5], rapid technological advancements and evolving market needs have spurred the development and adoption of innovative financial products and services.

WHEREAS, the establishment of rules that will govern the conduct of Crypto-Asset Service Providers will enhance the oversight and supervision powers of the SEC over businesses that involve the offering, trading, and other activities of these innovative financial products. At the same time, it offers a certain degree of protection for investors who have the appetite to invest in highly volatile financial products.

Section 1. Definition of Terms – As used in these Rules:

1.1 **Commission or SEC:** the Securities and Exchange Commission of the Philippines.

1.2 **Crypto-Asset:** a cryptographically secured digital representation of value or of a right that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions, that can be transferred, stored, or traded electronically.

1.2.1 For the purposes of these rules, crypto-assets are classified as financial products defined under Section 3(c) of the Financial Consumer Product Protection Act (R.A. No. 11765), in relation to the scope of supervision of the Securities and Exchange Commission.

1.3 **Crypto-Asset Custodian:** an entity that, as a business, offers or engages in crypto-asset intermediation activities.

1.4 **Crypto-Asset Custody Activities**: safekeeping or controlling crypto-assets or the means of access to crypto-assets, including where applicable any private keys, on behalf or for the account of others.

1.5 **Crypto-Asset Exchange:** an entity that, as a business, offers or engages in the operation of a crypto-asset trading venue.

1.6 **Crypto-Asset Intermediary:** an entity that, as a business, offers or engages in crypto-asset intermediation activities.

1.7 **Crypto-Asset Intermediation activities:**

1.7.1 **Advising –** offering, giving, or agreeing to give personalized recommendations to a client, either at the client's request or on the initiative of the crypto-asset service provider providing the advice, in respect of one or more transactions relating to crypto-assets, or the use of crypto-assets services;

1.7.2 **Exchange Services** – the conclusion of purchase or sale contracts concerning crypto-assets with clients for funds or other crypto-assets by using proprietary capital;

1.7.3 **Order Execution** – the conclusion of agreements, on behalf of clients, to purchase or sell one or more crypto-assets or the subscription on behalf of clients for one or more crypto-assets, and includes the conclusion of contracts to sell crypto-assets at the moment of their offer to the public or admission to trading;

[5] Philippine Development Plan (PDP) 2023-2028 https://pdp.neda.gov.ph/philippine-development-plan-2023-2028/

1.7.4 **Order Transmission –** the reception from a person of an order to purchase or sell one or more crypto-assets or to subscribe for one or more crypto-assets and the transmission of that order to a third party for execution;

1.7.5 **Placing –** marketing, on behalf of or for the account of the offeror or a party related to the offeror, of crypto-assets to purchasers;

1.7.6 **Portfolio Management –** managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more crypto-assets; and

1.7.7 **Transfer services –** providing services of transfer, on behalf of a person, of crypto-assets from one distributed ledger address or account to another.

1.8 **Crypto-Asset Securities:** a crypto-asset that is being offered as Securities as defined under the Securities Regulation Code and other relevant laws and regulations.

1.9 **Crypto-Asset Service Provider or CASP:** an entity that, as a business, offers or engages in the provision of one or more crypto-asset services, including by making available a digital platform that provides those services

1.10 **Crypto-Asset Services:** any or more of the following services and activities in relation to any crypto-asset:

- Offering of crypto-asset to the public
- Operating a crypto-asset trading venue
- Crypto-asset intermediation activities
- Crypto-asset custody activities
- Other services related to crypto-assets that may be determined by the Commission

1.11 **Crypto-Asset Trading Venue:** the management of one or more multilateral systems that support, bring together, or facilitate the following:

- Exchange of crypto-assets for other crypto-assets;
- Exchange of crypto-assets for fiat currency and vice-versa; and
- Exchange of crypto-assets for other assets.

1.12 **FCPA**: Republic Act. No. 11765, otherwise known as the Financial Consumer Protection Act of 2022, and its Implementing Rules and Regulation.

1.13 **Initial Coin Offerings** or **ICO**: a fundraising event in which an entity offers participants a unique digital “coin” or “token” in exchange for consideration. The tokens are issued and distributed on a blockchain or cryptographically-secured ledger

1.14 **Insider**: any person who acts as (a) the issuer; (b) director or officer (or any person performing similar functions) of, or a crypto-assets service provider; gives or gave him access to material information about the crypto-assets service provider or the crypto-assets that is not generally available to the public; (d) A government employee, director, or officer of an exchange, clearing agency and/or self-regulatory organization who has access to material information about a crypto-assets service provider or a crypto-asset that is not generally available to the public; or (e) a person who learns such information by a communication from any forgoing insiders.

1.15 **Issuer:** a natural or legal person who issues crypto-assets.

1.16 **Market Manipulation**: behaviors that create a false or misleading signal as to the supply, demand or price of a financial asset or otherwise impact trading in the asset through any other form of deception or contrivance.

1.17 **National Cybersecurity Plan:** the adopted whole-of-nation roadmap for the integrated development and strategic direction of the country’s cybersecurity under Executive Order No. 58 Series of 2024.

1.18 **Offeror:** a natural or legal person who offers crypto-assets to the public.

1.19 **SRC:** Republic Act No. 8799, otherwise known as the Securities Regulation Code of 2000, and its Implementing Rules and Regulations as amended.

1.20 **Utility Token:** a type of crypto-asset that is only intended to provide access to a good or a service supplied by its issuer.

1.21 **VASP**: Virtual Asset Service Provider as defined under Bangko Sentral ng Pilipinas Circular No. 1108 Series of 2021.

Section 2. Coverage and Applicability

2.1 These rules shall apply to all crypto-asset service providers that are offering crypto-asset services in the Philippines.

2.2 These rules may be applied for the implementation of the Securities Regulation Code, if appropriate.

2.3 The provisions of this regulation are without prejudice to issuances of other Philippine regulatory agencies in the exercise of their jurisdiction over activities related to crypto-assets.

Section 3. Registration of CASP

3.1 No person shall provide crypto-asset services in the Philippines unless the person acquires the necessary license under the CASP Rules and CASP Guidelines in relation to the relevant activity.

3.2 A crypto-asset service is deemed conducted or carried on in the Philippines when such service is provided in or to the Philippines or is capable of having an effect in the Philippines.

3.3 An applicant for CASP registration must meet the following qualifications:

3.3.1 A stock corporation registered with the SEC;

3.3.2 Must have at least 4 staff members who reside in the Philippines;

3.3.3 Meets the minimum capital requirements provided in the CASP Guidelines, set by the SEC at the time of application.

3.3.4 Satisfy the SEC, with appropriate evidence, that the CASP is able to meet the requirements of the CASP Guidelines and will continue to be able to fulfill the CASP Guidelines requirements following authorization;

3.3.5 Comply with any further specific requirements the SEC may impose as a condition for authorization, or generally; and

3.3.6 Submit a complete application for authorization to the SEC in the form specified in the CASP Guidelines to the satisfaction of the SEC.

3.4 The SEC has the power to amend the CASP Rules and CASP Guidelines at any time and to publish additional authorization requirements.

3.4.1 The SEC may, at any time, and for such duration as the SEC may at its absolute discretion decide, order a moratorium on the issuance of licenses.

3.5 All information provided by CASPs to the SEC, including information provided in any application for authorization or other communication in accordance with or relating to these Rules must be complete, accurate, up-to-date, true, and not misleading to the satisfaction of the SEC.

Section 4. Public Offering of Crypto-assets in the Philippines – Crypto-assets shall not be sold, offered for sale, or distributed in the Philippines without complying with the provisions of these Rules and the CASP Guidelines.

4.1 A disclosure document must be filed by the offeror with the SEC and published on the platform's website, social media account, and other means of communication not less than thirty (30) days before any marketing activities or the actual offering in the Philippines, whichever comes first.

4.2 The disclosure document shall include the following information:

4.2.1 Information about the offeror of the Crypto-asset;

4.2.2 Information about the issuer of the Crypto-asset, if different from the offeror;

4.2.3 The key features, risks, and prospects of the crypto-assets;

4.2.4 Rights and obligations attached to the crypto-assets (if any);

4.2.5 An outline of the underlying technology (including any protocol and consensus mechanism); and

4.2.6 Where applicable, details of the person who is seeking admission to trading on the crypto-asset trading venue.

4.3 Aside from the information mentioned in Section 4.2, the disclosure document must clearly and unambiguously contain the following statements:

4.3.1 On the first page, a clear and prominent statement declaring:

4.3.1.1 In case of offering:

"This Crypto-Asset Disclosure Document has not been approved by any regulatory agency in the Philippines. The offeror of the Crypto-asset is solely responsible for the content of this disclosure document"

4.3.1.2 In case of admission for trading:

"This Crypto-Asset Disclosure Document has not been approved by any regulatory agency in the Philippines. The person seeking admission to trading of the Crypto-asset is solely responsible for the content of this disclosure document"

4.3.2 The crypto-asset may lose its value in part or in full;

4.3.3 The crypto-asset may not always be transferable;

4.3.4 The crypto-asset may not be liquid; and

4.3.5 The promises or obligations imposed by the issuer/offeror of the crypto-asset may not be fulfilled.

4.4 The crypto-asset disclosure document shall not contain any assertions as regards the future value of the crypto-asset, other than the statement referred to in Section 4.3.

4.5 Crypto-assets may be sold, offered for sale, or distributed in the Philippines without complying under Section 4 of these Rules and the CASP Guidelines in the following cases:

4.5.1 Crypto-assets offered for purposes other than as a financial product, as defined under R.A. 11765 or the Financial Products and Services Consumer Protection Act, including but not limited to:

4.5.1.1 The crypto-asset is being offered for free. The offering shall not be considered free if the offeror of a crypto-asset receives any value, data or non-monetary benefits from prospective holders in exchange for that crypto-asset.

4.5.1.2 The crypto-asset is automatically created exclusively as a reward for the maintenance of a distributed ledger to which it is connected or the validation of transactions on its related network;

4.5.1.3 The holder of the crypto-asset has the right to use it only in exchange for goods and services in a limited network of merchants with contractual arrangements with the offeror;

4.5.2 Crypto-assets offered in accordance with the Securities Regulation Code or other issuances of the SEC.

4.5.3 Crypto-assets offered in accordance with issuances, or within the regulatory purview of other Philippine regulatory agencies.

4.5.4 Other crypto-assets offerings determined by the SEC as exempt from this requirement.

4.6 The entity or person offering crypto-assets to the public must comply with Anti-Money Laundering laws and rules, as provided in Section 8 of these Rules.

Section 5. Public Offering of Crypto-asset Securities - Crypto-asset securities shall not be sold or offered for sale or distribution within the Philippines, without a Registration Statement duly filed with and approved by the Commission, as provided by the SRC and other issuances by the SEC. Prior to such sale, information on the crypto-assets, in such form and with such substance as the Commission, may prescribe, shall be made available to each prospective purchaser.

5.1 Initial Coin Offerings shall be covered by this section if the facts and circumstances, as well as the economic realities surrounding the offering, can be characterized as sales of securities as defined by the SRC, SEC issuances, and other relevant laws.

5.2 The CASP offering crypto-asset securities to the public must comply with Anti-Money Laundering laws and rules, as provided in Section 8 of these Rules.

Section 6. Admission to Trading – A person or entity may not seek the admission trading of a crypto-asset in a CASP without complying with the provisions of Section 4 and Section 5 of this Rules and the CASP guidelines.

6.1 When a crypto-asset is admitted to trading on the initiative of a CASP, such CASP shall comply with the requirements of Section 4 and Section 5.

6.2 The SEC shall have the power to order the removal of a crypto-asset in a crypto-asset exchange, in the interest of investor protection.

6.3 Crypto-assets services may not involve crypto-assets having features that are prohibited under the CASP Guidelines including, but not limited to, those related to gambling activities and obfuscation of identity and/or transactions.

6.4 Unless allowed by the Commission, CASP should not conduct any offering, trading, or dealing activities of futures contracts or related derivatives involving crypto-assets, as well as offer margin trading.

Section 7. Marketing and promotion of crypto-assets and crypto-asset services -

7.1 Any form of offer, inducement, endorsement, solicitation, promotion, or advertisement may qualify as Marketing regardless of the media or channel through which it is made, and which may include, but is not limited to the following:

7.1.1 Communications, publications, dissemination of any form of data, information, or content that is promotional, influenced and/or sponsored material;

7.1.2 Social media posts, blogs, comments, non-written communications, banners, billboards, videos, podcasts, recordings or live streams;

7.1.3 Events held in the Philippines which may facilitate the solicitation of clients or incentivize the use of any product and/or service related to any CASP Activity and/or the acquisition or disposal of any Crypto-asset;

7.1.4 Advertisements, sponsored editorials, paid or earned media, and all forms of publicity-driving content or materials including branding and merchandise;

7.1.5 "Airdrops" or the issuance, giving or transfer of a Crypto-asset; and

7.1.6 Educational content including articles, papers, presentations, discussions and tutorials, whether online, off-line, audio and/or visual.

7.2 No person shall communicate, offer, induce, solicit, promote, advertise, or deliver crypto-assets services unless registered as a CASP or an authorized third-party service provider.

7.3 All forms of marketing or promotion of crypto-assets or services to the public must be in plain, clear, and concise language, that accurately and sufficiently disclose the product or service provided as well as the associated risks in a manner that is not misleading in both substance and presentation.

7.4 A CASP shall be responsible for the acts or omissions of its directors, trustees, officers, employees, or agents in marketing crypto-assets or crypto-asset services. The CASP shall be solidarily liable with its authorized third-party service providers for acts or omissions in the marketing of products or services.

7.5 A CASP shall disclose and submit to the Commission a list of its authorized third-party service providers that it has engaged for marketing and promotional activities. The entries in the list shall include the third-party provider's name/s, mode or method of marketing and promotion, verified contact details, and other information as may be required by the commission.

The Commission shall have the authority to require their respective supervised CASPs and their third-party agents/service providers to submit reports or documents as needed.

Section 8. SEC AML Rules Compliance – All Crypto-Asset Service Providers (CASPs), including but not limited to entities facilitating initial coin offerings (ICOs), trading venues, and other intermediaries engaged in the issuance, exchange, custody, or management of crypto-assets, must comply with the requirements of the Anti-Money Laundering Act of 2001 (AMLA), as amended, its implementing rules and regulations, and the rules established by the Commission related to Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Counter-Proliferation Financing (CPF).

8.1 For purposes of this regulation, CASPs shall be considered as covered persons under the AMLA and are therefore subject to the AML/CTF/CPF supervision and monitoring of the Securities and Exchange Commission (SEC) and the Anti-Money Laundering Council (AMLC).

Section 9. Continuing Obligations of Crypto-Assets Service Providers

9.1 **Compliance with Law and Rules -** A Crypto-Assets Service Provider must at all times comply with these Rules and the CASP Guidelines as well as with SRC, the FCPA, and other laws implemented by the Commission together with each of their implementing rules and regulations.

9.2 **Possible Non-Compliance with the Law and Rules** - A Crypto-Assets Service Provider must promptly inform the Commission of any event that it knows or is reasonably expected to know that may affect its compliance with these Rules, the provisions of the SRC, FCPA, the implementing rules and regulations, and other laws implemented by the Commission.

9.3 **Systems and Controls -** All Crypto-assets service providers must maintain effective arrangements, systems and procedures to prevent and detect market abuse including:

9.3.1 The timeliness of surveillance of transactions and orders to deter and detect market abuse;

9.3.2 Controls to take prompt remedial actions upon discovery of market abuse on their platform;

9.3.3 Systems for sharing information related to suspected market abuse between relevant crypto-asset markets;

9.3.4 Systems to detect and report suspicious transactions and orders to the relevant body;

9.3.5 Systems to identify malicious actors from a cyber, financial crime and market integrity standpoint; and

9.3.6 The requirements in line with Crypto-Assets Service Providers Guidelines.

9.4 Crypto-assets service providers responsible for professionally arranging or executing transactions must have in place arrangements, systems and procedures to detect and report suspicious transactions.

9.5 The Crypto-Assets Service Providers must provide an annual effectiveness review, especially in light of any new activities or services offered in such form as the Commission may specify.

Section 10. Prohibition on Market Manipulation, Insider Trading, and Unlawful Disclosure of Material and Non-Public Information -

10.1 **Prohibition on Market Manipulation –** It shall be unlawful for any crypto-assets service providers, its directors, officers, employees, agents and representatives to directly or indirectly:

10.1.1 Create a false or misleading appearance of active trading in any listed security traded in an Exchange of any other trading market

10.1.1.1 By effecting any transaction in such security which involves no change in the beneficial ownership thereof;

10.1.1.2 By entering an order or orders for the purchase or sale of such security with the knowledge that a simultaneous order or orders of substantially the same size, time and price, for the sale or purchase of any such security, has or will be entered by or for the same or different parties; or

10.1.1.3 By performing a similar act where there is no change in beneficial ownership.

10.1.2 To affect, alone or with others, crypto-assets or transactions involving crypto-assets that: (I) raises their price to induce the purchase of a crypto-asset, whether of the same or a different class of the same crypto-assets service providers; or (iii) creates active trading to induce such a purchase or sale through manipulative devices such as marking the close, painting the tape, squeezing the float, hype and dump, boiler room operations and such other similar devices.

10.1.3 To circulate or disseminate information that the price of any crypto-asset will or is likely to rise or fall because of manipulative market operations of any crypto-assets service provider conducted for the purpose of raising or depressing the price of the crypto-asset for the purpose of inducing the purpose of sale of such crypto-asset.

10.1.4 To make a false or misleading statement with respect to any material fact, which he knew or had reasonable ground to believe was so false or misleading, for the purpose of inducing the purchase or sale of any crypto-asset listed or traded by a crypto-assets service provider.

10.1.5 To effect, either alone or others, any series of transactions for the purchase and/or sale of any crypto-asset traded by a crypto-asset service provider for the purpose of pegging, fixing or stabilizing the price of such crypto-asset; unless otherwise allowed by these Rules or by the Commission.

10.1.6 No person shall use or employ, in connection with the purchase or sale of any crypto-asset, any manipulative or deceptive device or contrivance. Neither shall any short sale be effected nor any stop-loss order be executed in connection with the purchase or sale of any crypto-asset except in accordance with such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest for the protection of investors.

10.1.7 The foregoing provisions notwithstanding, the Commission, having due regard to the public interest and the protection of investors, may, by rules and regulations, allow certain acts or transactions that may otherwise be prohibited under this Section.

10.2 **Prohibition on Insider Trading -** It shall be unlawful for an insider to sell or buy a crypto-asset of the crypto-asset service provider, while in possession of material information with respect to the crypto-asset service provider or the crypto-asset that is not generally available to the public, unless: (a) The insider proves that the information was not gained from such relationship; or (b) If the other party selling to or buying from the insider, directly or indirectly, is identified, the insider proves: (i) that he disclosed the information to the other party, or (ii) that he had reason to believe that the other party otherwise is also in possession of the information.

10.2.1 A purchase or sale of a crypto-asset of the crypto-assets provider made by an insider defined in in these Rules, or such insider's spouse or relatives by affinity or consanguinity within the second degree, legitimate or common-law, shall be presumed to have been effected while in possession of material nonpublic information if transacted after such information came into existence but prior to dissemination of such information to the public and the lapse of a reasonable time for market to absorb such information: Provided, however, That this presumption shall be rebutted upon a showing by the purchaser or seller that he was aware of the material nonpublic information at the time of the purchase or sale.

10.2.2 For purposes of these Rules, information is "material nonpublic" if: (a) It has not been generally disclosed to the public and would likely affect the market price of the crypto-asset after being disseminated to the public and the lapse of a reasonable time for the market to absorb the information; or (b) would be considered by a reasonable person important under the circumstances in determining his course of action whether to buy, sell or hold a crypto-asset.

10.2.3 All crypto-assets service providers must establish and maintain an insider list in connection with the listing of its tokens. Failure to comply with this obligation shall render the service provider liable under this rule.

10.3 **Prohibition of unlawful disclosure of material and non-public information** - It shall be unlawful for any insider to communicate material non-public information about the crypto-assets service provider or the crypto-assets to any person who, by virtue of the communication, becomes an insider as defined in Subsection 1.14 where the insider communicating the information knows or has reason to believe that such person will likely buy or sell a crypto-asset of the crypto-assets service provider who is in possession of such information.

Section 11. Adoption of a Cybersecurity framework - Crypto-Assets Service Providers shall adopt a robust cybersecurity framework in line with the most recent iteration of the National Cybersecurity Plan implemented by the government and such other global best practice in cybersecurity. As such, it shall be the duty of Crypto-Asset Service Providers to ensure compliance with the relevant Cybersecurity guidelines that the Commission may issue from time to time.

Section 12. Audit and Review – CASPs will be subject to audit and review procedures in accordance with law and issuances of the SEC.

Section 13. Enforcement power of the SEC –

13.1 The Commission shall have the authority to impose enforcement actions on crypto-assets service providers for noncompliance with this Act and other existing laws pertinent to its jurisdiction and authority. Such enforcement actions may include the following:

13.1.1 Investigation to determine whether any person has violated or is about to violate any provisions of these Rules, the Crypto-assets Service Providers Guideline, as well as with securities laws, the Financial Products and Services Consumer Protection Act, and other laws implemented by the Commission together with each of their implementing rules and regulations. The Commission may require or permit any person to file with it a statement in writing, under oath or otherwise, as it shall determine, as to all facts and circumstances concerning the matter to be investigated. The Commission may publish information concerning any such violations, and to investigate any fact, condition, practice or matter which it may deem necessary or proper to aid in the enforcement of the provisions of these Rules.

For the purpose of any such investigation, or any other proceeding under these Rules and Guidelines, the Commission or any officer designated by it, is empowered to administer oaths and affirmations, subpoena witnesses, compel attendance, take evidence, require the production of any book, paper, correspondence, memorandum, or other record which the Commission deems relevant or material to the inquiry, and to perform such other acts necessary in the conduct of such investigation or proceedings.

13.1.2 Disqualification and/or suspension of directors, officers or employees of the crypto-assets service provider responsible for violation of any of the provisions of these Rules, the Crypto-assets Service Providers Guideline, as well as with securities laws, the Financial Products and Services Consumer Protection Act, and other laws implemented by the Commission together with each of their implementing rules and regulations.; and

13.1.3 Imposition of fines, suspension, or penalties for any noncompliance with or violation of these Rules, the Crypto-assets Service Providers Guideline, or orders of the Commission;

13.2 The Commission may issue a cease and desist order to the crypto-assets service provider after proper investigation or verification, motu proprio or upon verified complaint by any aggrieved party, without the necessity of a prior hearing if, upon the judgment of the Commission, the act or practice, unless restrained, operates as fraud or may unjustly cause grave or irreparable injury or prejudice to the financial consumers or amounts to a violation of the provisions of these Rules, the Crypto-assets Service Providers Guideline, as well as with securities laws, the Financial Products and Services Consumer Protection Act, and other laws implemented by the Commission together with each of their implementing rules and regulations.

Until the Commission issues a cease and desist order, the fact that an investigation has been initiated or that a complaint has been filed, including the contents of the complaint, shall be confidential. Upon issuance of a cease and desist order, the Commission shall make public such order and a copy thereof shall be immediately furnished to each person subject to the order. The crypto-assets service provider shall be afforded an opportunity to defend its act or practice in a summary hearing before the Commission or its designated body, upon request made by the crypto-assets service provider within five (5) calendar days from its receipt of the order. If no such hearing is requested within said period, the order shall be final. If a hearing is requested by the crypto-assets service provider, the proceedings shall be conducted summarily without adhering to the technical rules of evidence, and all issues shall be determined primarily on the basis of records, after which the financial regulator may either reconsider or finalize and execute its order;

13.3 The Commission may issue a contempt order, after due notice and hearing, against any crypto-assets service provider who fails or refuses to comply with any lawful order, decision or subpoena issued by the Commission. Such crypto-assets service provider shall be fined in such reasonable amount as the Commission may determine, or when such failure or refusal is a clear and open defiance of the Commission's order, decision or subpoena, its director, officer, employee, agent or representative responsible for such defiance shall be detained under an arrest order issued by the Commission, until such order, decision or subpoena is complied with.

13.4 The Commission may issue an order of suspension of operation of crypto-assets service provider in relation to a particular service when, upon the judgment of the Commission and based on its findings, the crypto-assets service provider is operating in violation of the provisions of these Rules, the Crypto-assets Service Providers Guideline, the Securities Regulation Code, and Financial Products and Services Consumer Protection Act, the implementing rules and regulations, and such other laws implemented by the Commission.

13.5 The Commission may issue an order requiring the accounting and disgorgement of profits obtained, or losses avoided, as a result of a violation of these Rules and other existing laws, including reasonable interest, in addition to the imposed fines and penalties. The Commission is authorized to adopt rules, regulations, and orders concerning the creation and operation of a disgorgement fund, payments to financial consumers, rate of interest, period of accrual, and such other matters as deemed appropriate to implement this provision.

13.6 The Commission may coordinate with other government agencies and digital service providers for the enforcement of the powers provided under these Rules and all other relevant laws being implemented by the Commission.

Section 14. Grounds for Suspension or Revocation -

14.1 The SEC may refuse, withdraw, terminate, suspend, or revoke the authorization of any crypto-asset services in cases when the Crypto-assets Service Provider:

14.1.1 Fails to meet the requirements of the CASP Rules, or in the exercise of the SEC's sound discretion, is reasonably determined to be unable to meet the requirements of the CASP Rules in the future; or

14.1.2 Has not used its authorization within twelve (12) months from the date of its grant; or

14.1.3 Ceases to operate or to provide crypto-asset services; or

14.1.4 Breaches any requirement of the CASP Rules, or whose Certificate of Authority granted under the CASP Rules has been withdrawn, expired, or revoked; or

14.1.5 Fails to take action to remedy a breach of CASP Rules or CASP Guidelines within the timeframe required by the SEC; or

14.1.6 Has violated any of the provisions of these Rules, the CASP Guidelines, or any order of, or relevant laws or regulations issued by, the Commission; or

14.1.7 Has made any false or misleading representation of material facts in any prospectus, communication, reports, or any other document, or has submitted an application for registration or authorization that is on its face incomplete or inaccurate in any material respect, or includes any untrue statements of a material fact required to be stated therein or necessary to make the statement therein not misleading, or the information contained in the application for registration or authorization, registration statement, prospectus, communication, reports, or any other document submitted by the crypto-assets service provider has become misleading, incorrect, inaccurate, inadequate or incomplete in any material respect; or

14.1.8 Has been or is engaged or is about to engage in fraudulent sale, marketing, distribution or transaction of crypto-assets; or

14.1.9 Has committed any acts in violation of, or considered as violations in, or has been a subject of any order, decision, or circumstance warranting the suspension or revocation of authorization as provided by the SRC, the FCPA or other relevant laws or regulations enforced by the SEC; or

14.1.10 Expressly terminates or renounces its authorization.

14.2 Notwithstanding the foregoing, nothing in these Rules shall be construed as limiting the SEC's authority, and for purposes of investor protection, withdraw, terminate, or suspend a CASP license and take any other appropriate action as the SEC may deem fit.

Section 15. Suspension or Revocation of license. -

15.1 The Commission may require from the Crypto-assets Service Provider such further information as may in its judgement be necessary to enable the Commission to ascertain whether the registration of such Crypto-assets Service Provider should be suspended on any ground specified in these Rules, the CASP Guidelines, the SRC, the FCPA, and other relevant laws or regulations enforced by SEC. The Commission may also suspend or revoke the right to sell, offer for the sale, market, distribute or transact such crypto-assets pending further investigation, by entering an order specifying the grounds for such action, and by notifying the crypto-assets service provider.

15.2 The refusal to furnish information required by the Commission may be a ground for the issuance of an order of suspension or revocation pursuant to Subsection 15.1. Upon the issuance of any such order and notification to the Crypto-assets Service Provider, no further offer, sale, marketing, distribution or transaction of any such crypto-assets shall be made until the same is lifted or set aside by the Commission. Otherwise, such sale, marketing, distribution, or transaction shall be void and considered in violation of this rule.

15.3 Upon issuance of an order of suspension, the Commission shall conduct a hearing. To assist the Commission in the conduct thereof, it may compel the production of all the books and papers of such Crypto-assets Service Provider, and may administer oaths to, and examine the officers of such Crypto-assets Service Provider, or any other person connected therewith as to its business and affairs. The refusal to permit the foregoing examination shall likewise be grounds for revocation.

15.4 If, after the hearing, the Commission determines that the sale, marketing, distribution or transaction of any such crypto-assets should be revoked, it shall issue an order of revocation prohibiting the sale, marketing, distribution or any transaction of such crypto-assets.

15.5 Until the issuance of a final order, the suspension of the right to sell, offer for the sale, market, distribute or transact such crypto-assets, though binding upon the persons notified thereof, shall be deemed confidential, and shall not be published, unless it shall appear that the order of suspension has been violated after notice. If, however, the Commission finds that the sale of the security will neither be fraudulent nor result in fraud, it shall forthwith issue an order revoking the order of suspension, and such security shall be restored to its status as a registered security as of the date of such order of suspension

15.6 Voluntary revocation may be effectuated by the Crypto-assets Service Provider by expressly terminating or renouncing its authorization only with the consent of the Commission.

Section 16. Liability, Administrative Sanctions, Settlement Offers, and Independent Civil Action -

16.1 **Liability of a Crypto-Assets Service Provider on the Acts or Omissions of its Authorized Representatives. –** The crypto-assets service provider shall be responsible for the acts or omissions of its directors, trustees, officers, employees, or agents in marketing, distributing, and transacting with financial consumers for its crypto-assets services. The crypto-assets service provider shall be solidarily liable with accredited third-party service providers for their acts or omissions in marketing, distributing, and transacting with financial consumers for its crypto-assets services.

16.2 **Administrative Sanctions**.

16.2.1 The administrative sanctions of the Commission shall be made applicable to a Crypto-assets Service Provider, its directors, officers, employees, representatives or agents for violation of these Rules, CASP Guidelines or any related rules, regulations, orders or instructions of the Commission; Provided, That for persons found responsible, the Commission may impose a fine of no less than Fifty thousand pesos (P50,000.00) nor more than Ten million pesos (P10,000,000.00) for each instance of investment fraud plus not more than Ten thousand pesos (P10,000.00) for each day of continuing violation in addition to the other administrative sanctions under Section 54 of Republic Act No. 8799: Provided, further, That in case profit is gained or loss is avoided as a result of the violation of this rule or investment fraud, a fine not more than three (3) times the profit gained or loss avoided likewise be imposed by the Commission: Provided, finally, That in addition to the administrative sanctions that may be imposed, the authority of the crypto-assets service provider to operate in relation to a particular service may be suspended or cancelled by the Commission.

16.2.2 The imposition of the foregoing administrative sanctions shall be without prejudice to the filing of criminal charges against the individuals responsible for the violation.

16.2.3 The Commission shall have the power to issue writs of execution to enforce the provisions of this Section and to enforce payment of the fees and other dues collectible under this Rules and Guidelines.

16.3 **Settlement Offers. –**

16.3.1 At any time, during an investigation or proceeding under these Rules and the CASP Guidelines, parties being investigated and/or charged may propose in writing an offer of settlement with the Commission.

16.3.2 Upon receipt of such an offer of settlement, the Commission may consider the offer based on timing, the nature of the investigation or proceeding, and the public interest.

16.3.3 The Commission may only agree to a settlement offer based on its findings that such a settlement is in the public interest. Any agreement to settle shall have no legal effect until publicly disclosed. Such a decision may be made without a determination of guilt on the part of the person making the offer.

16.3.4 The Commission shall adopt rules and procedures governing the filing, review, withdrawal, form of rejection and acceptance of such offers.

16.4 **Independent Civil Action.** – The Commission, consistent with public interest and protection of financial consumers, is authorized to institute an independent civil action on behalf of aggrieved financial consumers for violations of these Rules and the CASP Guidelines. If in any of these proceedings, the Commission obtain a civil penalty against any person or entity, or such person or entity agrees to settle such civil penalty, the amount of such civil penalty shall, on the motion of the Commission, be added to and become part of a disgorgement fund or other fund established for the benefit of the aggrieved financial consumer.

Section 17. Penalties. – Any Crypto-assets Service Provider engaged in trading activities or any other activities who willfully violates the SRC or the FCPA, respectively, or any other the laws, rules, regulations, orders, or instructions issued by the Commission to implement this Act, shall be punished by imprisonment of not less than one (1) year, but not more than five (5) years, or by a fine of not less than Fifty thousand pesos (P50,000.00) but not more than Two million pesos (P2,000,000.00), or both, at the discretion of the court: Provided, That if the violation is committed by a corporation or a juridical entity, the directors, officers, employees, or other officers who are directly responsible for such violation shall be held liable thereto.

Section 18. Applicability of certain laws and regulations - The provisions of the SRC, the FCPA and its respective implementing rules and regulations, as well as other relevant rules and regulations issued by the Commission, shall have suppletory application insofar as they are applicable and not inconsistent herewith.

Section 19. Separability Clause - If any portion or provision of these Rules is held unconstitutional or invalid, all other provisions not thereby affected shall remain valid.

Section 20. Repealing Clause - All other rules and regulations or parts thereof, inconsistent with the foregoing rules and regulations, are repealed, amended, or modified accordingly.

Section 21. Effectivity Clause - This Circular shall take effect within thirty (30) days after its publication in two (2) newspapers of general circulation.

Makati City, Philippines, ____ 202_.

For the Commission:

EMILIO B. AQUINO

Chairperson