

NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )

'22 JUL -7 P 4 :39

**SENATE**

S.B. No. 184

RECEIVED BY: \_\_\_\_\_



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Introduced by **SENATOR IMEE R. MARCOS**

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**AN ACT RECOGNIZING DIGITAL ASSETS, REQUIRING THE REGISTRATION  
OF DIGITAL ASSET ENTERPRISES, THEIR OPERATORS, AND FOR OTHER  
PURPOSES**

EXPLANATORY NOTE

Article 2, Section 20 of the 1987 Constitution provides that *"the State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments. "*

Digital assets (previously referred to as digital currencies) refer to assets represented in a digital form with their value being determined by supply and demand and has monetary characteristics.

Currently, the Bangko Sentral ng Pilipinas (BSP) regulates transactions related to digital assets through BSP Circular No. 942, 944 and 1108. The BSP Charter, however, as defined by RA No. 7653, also known as the "The New Central Bank Act" as amended by A No. 11211, does not mention electronic, virtual, or digital representations of money. This distinction is important in the context of the recommendation made by the Financial Action Task Force (FATF) last October 2018 on the use of the term "virtual asset" "to refer to digital representations of value that can be digitally traded or transferred and can be used for payment or investment purposes, including digital representations of value that function as a medium of exchange, a unit of account, and/or a store of value." The FATF further emphasizes the distinction between virtual assets and fiat currency. While the FATF recognize that virtual assets do not include digital representations of fiat currency, the limitation in the mandate of the BSP creates a need to further define the regulatory authority of the BSP to include e-money.

Virtual assets, as defined earlier, is a subset of digital assets issued by developers and stored in electronic wallets for online transactions. They are usually controlled by a decentralized network of users and is not subject to the control and guarantee of national governments or a central bank. The value of virtual assets are solely based on the demand and supply, which makes their value volatile. As such, they differ from fiat currency, which is fully backed by the government of a country and is acceptable as a payment for public and private transactions. They are also distinct from electronic money, which is just the digital representation of fiat currency and is recognized as legal tender. Most virtual assets are programmed to behave like cash, with sophisticated encryption methods resulting in anonymity, as the user only needs to have a private digital key in order to transact in the system.

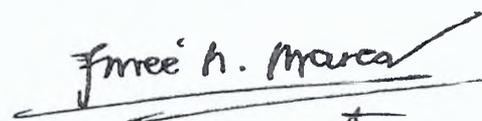
Virtual assets suffer from several problems. The combination of lack of central authority, lack of legislation and the degree of anonymity associated with virtual asset transactions make them a potential vehicle for fraud and illicit transactions. As such, there is a sentiment around the world for virtual assets to be recognized and regulated in order to facilitate acceptability and use while minimizing the dangers and risk associated with them. Singapore regulates the virtual assets through the Financial Services and Markets Bill, which was passed in 2022. The Monetary Authority of Singapore is now tasked with ensuring that virtual assets were not used in money laundering and financing terror activities. Thailand continues to regulate virtual asset exchanges and virtual asset businesses through the "Emergency Decree on Digital Asset Businesses", which was passed in 2018. In the country, the Securities and Exchange Commission (SEC) regulates virtual asset offerings as securities.

The recognition and standardization of the rules regarding the operation of digital assets will allow the country to enjoy its advantages. One advantage is the ease in which transactions can be done. Digital assets are traded in the Internet, which minimizes transaction costs. The accessibility, ease, and low transaction cost makes it an attractive vehicle for remittances, both local and international. The same traits also make it easier to make online transactions in the electronic commerce industry.

Digital assets are also a possible alternative in addressing the lack of financial inclusion. According to the 2019 Financial Inclusion Survey, 78% of Filipinos do not own a bank account. The absence of access to financial institutions result in most Filipinos not having a credit history, preventing most Filipinos from availing a bank loan. The use of digital assets can allow Filipinos to accumulate a transaction history, which will improve the financial inclusion of the country. In addition, it also improves the geographic reach of the financial system among those living in far-flung areas.

Given the situation described above, the bill aims to clarify and institutionalize the rules regarding digital assets. The bill aims to recognize but not regulate digital assets by defining what digital assets are and standardizing the process for the licensing and operation of e-money, virtual asset exchanges, and virtual asset businesses.

Given the abovementioned circumstances, the immediate passage of this bill is necessary.

  
**IMEE R. MARCOS**

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*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

1           **SECTION 1. Short Title.** – This Act shall be known as the "*Digital Assets Act of*  
2    *2022.*"

3  
4           **SEC. 2 Declaration of Policy.** – It is hereby declared the policy of the State to  
5 recognize without regulating digital assets as a valid means of transaction and  
6 investment with the objective of harnessing digital assets for growth, development,  
7 financial inclusion, and poverty alleviation while maintaining the stability of the country's  
8 economy, and protecting investors and the public concerned.

9  
10          **SEC. 3. Definition of Terms.** – The following terms shall mean:

11           (a) *BSP* means the "*Bangko Sentral ng Pilipinas*"

12           (b) *Digital asset* means *e-money* and *virtual assets*

13           (c) "*E-money*" means a digital representations of fiat currency whose issue is  
14 backed by an equivalent fiat currency. It is an electronic store of monetary  
15 value on a technical device that may be widely used for making payments  
16 to entities other than the e-money issuer. The device acts as a prepaid  
17 bearer instrument which does not necessarily involve bank accounts in  
18 transactions.

19           (d) "*E-money Issuer*" refers to any entity which provides money transfer or  
20 remittance services using e-money.

21           (e) "*SEC*" means the Securities and Exchange Commission.

- 1 (f) "Virtual asset" means virtual currency and virtual token.
- 2 (g) "Virtual asset business" means any of the following businesses: (i) virtual  
3 asset exchange, (ii) virtual asset broker, (iii) virtual asset dealer, (iv) other  
4 businesses related to virtual assets.
- 5 (h) "virtual asset exchange" means a center or a network established for the  
6 purposes of trading or exchanging of virtual assets, which operates by  
7 matching orders or arranging for the counterparty or providing the system  
8 or facilitating a person who wishes to trade or exchange virtual assets to  
9 be able to enter into an agreement or match the order, in the normal  
10 course of business.
- 11 (i) "virtual asset broker" means a person who provides services or holds itself  
12 out to the public as available to provide services as a broker or an agent  
13 for any person with respect to the trading or exchange of virtual assets in  
14 the normal course of business, in consideration of a fee or other  
15 remuneration.
- 16 (j) "Virtual asset dealer" means a person who provides services or holds itself  
17 out to the public as available to provide services with respect to the  
18 trading or exchange of virtual assets for its own account in the normal  
19 course of business outside the virtual asset exchange.
- 20 (k) "virtual currency" means an electronic data unit created on an electronic  
21 system or network for the purpose of being used as a medium of  
22 exchange for the acquisition of goods, services or any other rights, or the  
23 exchange between virtual assets, and shall include any other electronic  
24 data units.
- 25 (l) "virtual token" means an electronic data unit created on an electronic  
26 system or network for the purpose of: (i) specifying the right of a person  
27 to participate in an investment in any project or business; (ii) specifying  
28 the right of a person to acquire specific goods, specific service, or any  
29 specific other right under an agreement between the issuer and the  
30 holder, and shall include any other electronic data units of right.
- 31 (m) "virtual token portal service provider" means a provider of an electronic  
32 system for an offering of newly issued virtual tokens who is responsible for  
33 screening the characteristics of virtual tokens to be offered, qualifications  
34 of the issuer and the completeness and accuracy of registration statement  
35 and draft prospectus for the offering of virtual tokens or any other  
36 information to be disclosed through such provider.

37

1           **SEC. 4. *BSP as Lead Agency for E-Money.*** – The BSP shall be in charge of the  
2 exercise of powers under this Act over the operation of E-money and shall have the  
3 power to issue notifications and perform duties in accordance with this Act.  
4

5           **SEC. 5. *SEC as Lead Agency for Virtual Assets.*** – The SEC shall be in charge of  
6 the exercise of powers under this Act over the offering and issuance of virtual assets,  
7 and the operation of virtual asset businesses. The SEC shall have the power to issue  
8 notifications and perform duties in accordance with this Act.  
9

10          **SEC. 6. *Scope.*** – Securities pursuant to the law governing securities and  
11 exchange shall not be regarded as virtual currency or virtual token under this Act.  
12 Virtual asset business operators and virtual token portal service providers under this  
13 Act shall be regarded as financial institutions under RA No. 9160, also known as the  
14 "Anti-Money Laundering Act".  
15

16          **SEC. 7. *Transfer of Virtual Assets.*** – In case where delivery, transfer, holding or  
17 return of cryptocurrencies or virtual tokens is required, virtual currencies or virtual  
18 tokens of the same category and type and of equal amount shall be fungible.  
19

20          **SEC. 8. *Operation of E-money Issuers.*** – For the purpose of supervision and  
21 monitoring of E-money Issuers, the BSP shall have the duty and power to establish the  
22 policies relating to the promotion and development as well as supervision and  
23 monitoring of E-money and E-money issuers as prescribed under this Act. Such power  
24 and duty shall include:  
25

26           (a) the issuance of rules, regulations, notifications, orders or directives on the  
27 operation of E-money Issuers;

28           (b) the determination of fees for an application for a license or permit, granting  
29 of a license or permit, application for a permission, granting of a permission, filing of  
30 registration statements for offering of virtual tokens, filing of annual registration  
31 statements, other applications or undertaking of businesses under a license, license or  
32 permission;

33           (c) the prescription of criteria as a guideline for the consideration to address any  
34 potential issues which may arise from the enforcement of this Act;

35           (d) any other activities to be implemented according to the objectives of this  
36 Act.  
37

38          **SEC. 9. *Offering and Issuance of Virtual Assets.*** – For the purpose of supervision  
39 and monitoring of the issuance and offering of virtual tokens and the undertaking of  
40 virtual asset businesses, the SEC shall have the duty and power to establish the policies  
41 relating to the promotion and development as well as supervision and monitoring of  
42 virtual assets and virtual asset business operators as prescribed under this Act. Such  
43 power and duty shall include:

1  
2 (a) the issuance of rules, regulations, notifications, orders or directives on  
3 issuance and offering of virtual tokens and virtual asset businesses;

4  
5 (b) the determination of fees for an application for a license or permit, granting  
6 of a license or permit, application for a permission, granting of a permission, filing  
7 of registration statements for offering of virtual tokens, filing of annual registration  
8 statements, other applications or undertaking of businesses under a license,  
9 license or permission;

10  
11 (c) the prescription of criteria as a guideline for the consideration to address any  
12 potential issues which may arise from the enforcement of this Act;

13  
14 (d) any other activities to be implemented according to the objectives of this Act.  
15

16 **SEC. 10. *Disclosure of Information.*** – To protect the public interest or investors,  
17 the SEC shall have the duty to disclose the information relating to any violation and  
18 penalty imposed on such person who commits an offence under this Act, including any  
19 other information obtained in the performance of duties under this Act.  
20

21 **SEC. 11. *License to Operate E-money Issuers.*** – Only the BSP shall issue a  
22 license to operate E-money Issuers. Any natural or juridical person may obtain a license  
23 to operate E-money Issuers by filing an Application for Registration and Notarized  
24 Deeds of Undertaking to the BSP. The BSP shall Issue the corresponding license upon  
25 fulfillment of the registration requirements. The E-money issuer shall commence  
26 operations within three (3) months from the date of issuance of the license. The E-  
27 money Issuer should register with the Anti-Money Laundering Council Secretariat  
28 (AMLCS) within thirty (30) calendar days from the actual commencement of business  
29 operations.  
30

31 **SEC. 12. *License to Offer Virtual Tokens.*** – Only the SEC shall issue a license  
32 to offer newly issued virtual tokens to the public. Any natural or juridical person may  
33 obtain a license to offer virtual tokens by filing a registration statement and a draft  
34 prospectus to the SEC. The offeror of virtual tokens shall prepare and submit the  
35 following information to the SEC:

36 (a) reports concerning the results of business operation and the financial  
37 conditions;

38 (b) any information which may affect the rights and interests of virtual token  
39 holders or the decision-making on investment or the change in the price or value of  
40 virtual token.

41 The SEC shall have the power to specify in a notification the categories of virtual  
42 tokens or the characteristics of the offering of virtual tokens which shall be exempt from

1 the requirement to submit a filing of the registration statement for an offering of virtual  
2 tokens and the draft prospectus under this Section.

3  
4 **SEC. 13. License to Operate Virtual Asset Business.** – Only the SEC shall issue a  
5 license to operate a virtual business. The application for the license and the Issuance  
6 of the license shall be in accordance with the rules, procedures and conditions as  
7 specified by the SEC and is subject to payment of the application and license fees.

8  
9 In operating virtual asset business, a business operator shall comply with the  
10 rules, procedures and conditions as specified by the SEC, taking into account the  
11 following matters:

- 12  
13 (a) sufficient financial resources for the conduct of and risks associated with its  
14 operations;  
15 (b) safety of its clients' assets;  
16 (c) security measures against electronic crime, which are capable of protecting  
17 the computer system and computer data as well as the management of risks associated  
18 with crime or other causes;  
19 (d) appropriate accounting systems for the business and auditing by the auditor  
20 approved by the SEC;  
21 (e) know-your-client measures, client due diligence process and measures  
22 against financial assistance to terrorists or money laundering.

23  
24 Where it is necessary to maintain the economic and financial stability of the  
25 country, or to protect the public interest, the SEC shall have the power to specify  
26 conditions with which the licensed business operator shall be required to comply in  
27 operating the virtual asset business.

28  
29 Any virtual asset business operator who has operated a virtual asset business  
30 prior to the date on which this Act come into force and whose business requires a  
31 license under this Act shall submit an application for the license as prescribed in this  
32 Act within ninety days from the date on which this Act comes into force if it intends to  
33 continue to operate the business. Upon submission of the application for the license,  
34 such operator may continue to operate such business until the application is rejected.

35  
36 **SEC. 14. Cessation of Virtual Asset Business.** – Any virtual asset business  
37 operator who wishes to cease operating a virtual asset business for which it has been

1 granted a license shall apply for an approval to cease its business operations from the  
2 SEC. In granting the approval, the SEC may specify any conditions.

3  
4 If any virtual asset business operator has ceased its business operations, it shall  
5 complete the purchase, sale or exchange of virtual assets, settlement and delivery of  
6 any outstanding transaction.

7  
8 If it appears that a virtual asset business operator does not operate the virtual  
9 asset business for which it has been granted a license within the period specified by  
10 the SEC or suspends its operations for a period of time which is longer than those  
11 specified by the SEC, the SEC, shall have the power to revoke the license of such  
12 operator.

13  
14 **SEC. 15. *Regulation of Virtual Asset Business.*** – If it appears that the financial  
15 condition or operations of a virtual asset business operator is in such condition which  
16 may cause damage to the public, or a virtual asset business operator violates or fails  
17 to comply with the prescribed rules, procedures and conditions, the SEC may order the  
18 virtual asset business operator to rectify it within the specified period of time. If the  
19 virtual asset business operator fails to comply, the SEC may order the virtual asset  
20 business operator to temporarily suspend its operations either in whole or in part within  
21 the specified period of time for the rectification. In this regard, the SEC may also specify  
22 any condition to be complied with by the virtual asset business operator for the purpose  
23 of rectifying the financial conditions or operations of such virtual asset business  
24 operator. If the virtual asset business operator fails to comply, or in the case of  
25 repeated non-compliance, the SEC may consider revoking its license. In this regard the  
26 SEC, may order the virtual asset business operator whose license is revoked to take  
27 any action to protect the interest of its clients.

28  
29 **SEC. 16. *Revocation of License to Operate Virtual Asset Business.*** – Where there  
30 is evidence that the financial condition or operations of any virtual asset business  
31 operator is in such condition which may cause serious damage to the public and such  
32 business operator is unable to rectify its financial condition or operations, the SEC shall  
33 have the power to revoke Its license. In this regard, the SEC may order the virtual asset  
34 business operator whose license is revoked to take any action to protect the interest of  
35 its clients.

36  
37 **SEC. 17. *Protection of Virtual Asset Clients.*** – No virtual token business operator  
38 in the category of virtual asset broker, including its staff members or employees who  
39 are aware or in possession of information related to any order for purchase or sale of  
40 any virtual assets or derivatives related to such virtual assets of any client of such  
41 business operator, shall take any of the following actions, either for the their own benefit

1 or for the benefit of any other persons, in any manner that is likely to cause a  
2 disadvantage to the client:

3 (a) placing, modifying, or cancelling an order for purchase or sale of virtual assets  
4 or derivatives related to such virtual assets by taking advantage of doing so before the  
5 order of such client is completely executed;

6  
7 (b) disclosing information related to the order of such client to any other person  
8 where they know or ought to know that such other person would rely on such  
9 information in placing, modifying or cancelling any order for purchase or sale of virtual  
10 assets or derivatives related to such virtual assets before the order of such client is  
11 completely executed,

12  
13 **SEC. 18. *Penalty Clause.*** – Any virtual token offeror who fails to comply with  
14 Section 11 and/or 12, or contravenes or fails to comply with the rules, procedures and  
15 conditions issued in accordance with Section 11 and/or 12, shall be liable to  
16 imprisonment for a term not exceeding two years or a fine not exceeding five hundred  
17 thousand pesos (PhP 500,000.00) and a further daily fine not exceeding three thousand  
18 pesos (PhP 3,000.00) for every day during which the contravention continues.

19  
20 Any person who makes a false statement or conceals any fact which should have  
21 been disclosed in the registration statement for an offering of virtual tokens and draft  
22 prospectus pursuant to Section 11 and/or 12, shall be liable to imprisonment for a term  
23 not exceeding five years and a fine not less than five hundred thousand pesos (PhP  
24 500,000.00).

25  
26 Any virtual token offeror who contravenes or fails to comply with Section 13 and  
27 Section 15 shall be liable to a fine not exceeding three hundred thousand pesos (PhP  
28 300,000.00) and a further daily fine not exceeding ten thousand pesos (PhP 10,000.00)  
29 for every day during which the contravention continues.

30  
31 **SEC. 19. *Implementing Rules and Regulations.*** – Within sixty (60) days from  
32 the effectivity of this Act, the SEC and the BSP shall promulgate the necessary rules  
33 and regulations to effectively implement the provisions of this Act.

34  
35 **SEC. 20. *Repealing Clause.*** – All provisions of existing laws, orders and  
36 regulations contrary to or inconsistent with this Act are hereby repealed or modified  
37 accordingly.

38

1           **SEC. 21. *Separability Clause.*** – If for any reason any part or provision of this Act  
2 shall be deemed unconstitutional or invalid, the other sections or provisions hereof shall  
3 not be affected and shall remain in force and effect.

4

5           **Sec. 22. *Effectivity.*** – This Act shall take effect fifteen (15) days after its  
6 publication in the Official Gazette or in a newspaper of general circulation.

*Approved,*