

# INFRAWATCH PH

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21 September 2022

HON. FELIPE MEDALLA  
Governor  
Bangko Sentral ng Pilipinas

Bangko Sentral ng Pilipinas

Received by: Felipe Medalla  
Date/Time Received: 9/21/22

**Re: Clarification on BSP Memorandum No. M-2022-035 amid reports on Binance's ongoing acquisition of entities with EMI and VASP licenses**

Dear Governor Medalla:

We are writing to request clarifications on the Bangko Sentral ng Pilipinas Memorandum No. M-2022-035, which closed the regular application window for Virtual Asset Service Provider (VASP) licenses in the next three years, starting September 1, 2022.

While we welcome BSP's initiative to shift its focus to "assessing the existing Bangko Sentral-registered VASPs' overall performance and risk management systems, their impact on financial services and financial inclusion agenda, and their contribution towards the achievement of the Digital Payments Transformation Roadmap (DPTR) objectives", we are requesting clarification on whether the VASP application moratorium also prohibits any and all backdoor acquisition of existing entities with VASP licenses by new market entrants.

It is our position that a particular clarification on this question needs to be made in light of recent developments, as failing to prohibit any and all backdoor acquisition of existing entities with VASP licenses will defeat the objectives of BSP Memorandum No. M-2022-035.

Mr. Kenneth Stern, Binance Philippines General Manager, in an article<sup>1</sup>, told reporters that "the company [**Binance**] is in the process of acquiring a company that has both Virtual Asset Service Provider (VASP) and Electronic Money Issuer (EMI) licenses from the central bank." Mr. Stern, who is based in the Philippines according to the article, also added: "We are acquiring licenses through an existing company. The company that we are acquiring is already a license holder. We are working with the BSP on the acquisition. If ever, we will be the first case in the Philippines". (Emphasis supplied)

On June 15, 2022, we wrote to your office regarding our concern over the operations in the Philippines of Binance without any license from the BSP. We reiterate our statement that the highly anomalous and irregular operations of Binance put in danger millions of cryptocurrency traders and billions worth of virtual asset transactions in the country processed by Binance. Likewise, **the continued disregard of the licensing rules and regulations by Binance spoils the BSP's mandate "to provide an environment that encourages financial innovation while safeguarding the integrity and stability of the financial system"** and undermines the government's risk-based approach to virtual asset transactions and service providers.

<sup>1</sup> <https://businessmirror.com.ph/2022/09/15/binance-securing-licenses-from-bsp/>



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Our fears are not without basis as regulators in several jurisdictions have already initiated investigations involving money laundering, fraud, illegal securities, and other illicit activities committed through Binance. In fact, Binance has already been warned, banned, or restricted for non-compliance with existing laws and regulations and even facing criminal investigations in foreign jurisdictions, including the United States of America, Japan, the United Kingdom globally and Malaysia, Thailand, Indonesia, and Singapore in Southeast Asia to name a few.

Likewise, BSP should be wary of the statement of Binance Philippines' General Manager who, unapologetically, promotes an unregistered and unlicensed business in the Philippines and even has the audacity to inform the media that they are "working with the BSP on the acquisition."

In the same vein, we are requesting the BSP to make a determination on whether all nineteen (19) registered VASPs<sup>2</sup> are indeed operational or merely waiting for potential investors within the VASP moratorium period.

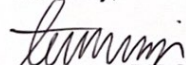
It is our position that those that have been granted a VASP license but have failed to operate within a specific period of time, and have no sufficient risk management systems should have their licenses reviewed, if not suspended or revoked.

In similar public utilities and services, particularly those with legislative franchises, failure to operate businesses within a specific period of time constitutes a ground for license or franchise revocation. The same principle should apply to VASPs, as these are similar services imbued with public interest.

As such, we are praying that the BSP:

- a. Issue clarifications on whether on whether the VASP application moratorium also prohibits any and all backdoor acquisition of existing entities with VASP licenses by new market entrants
- b. Reject the backdoor acquisition of existing entities with VASP licenses by new market entrants such as Binance
- c. Review, suspend or revoke the VASP licenses of entities which have failed to operate within the a specific period of time.

Sincerely,

  
**TERRY L. RIDON**  
Convenor  
INFRAWATCH PH

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<sup>2</sup> [www.bsp.gov.ph/Lists/Directories/Attachments/19/VASP.pdf](http://www.bsp.gov.ph/Lists/Directories/Attachments/19/VASP.pdf)