



07 January 2019

## SEC REVISED PROPOSED GUIDELINES ON INITIAL COIN OFFERINGS

The Securities and Exchange Commission (SEC) has issued, for a second round of public consultation, the proposed Rules for Initial Coin Offerings (ICOs).

The rules shall govern the conduct of ICOs wherein convertible security tokens are issued by start-ups and/or registered corporations organized in the Philippines, and start-ups and/or corporations organized abroad and conducting ICOs targeting Filipinos, through online platforms. The revisions are based on inputs received during the first round of public exposure ending 31 November 2018.

The revisions made in the proposed rules include the following:

	<b>Applicable Section</b>	<b>Revisions</b>
1	<i>Section 4: Contents of the Initial Assessment Request</i>	Revised the legal opinion requirement to allow issuer opinion that the tokens are security, and removed the requirement of independent counsel to issue the same during the initial assessment phase.
2	<i>Section 12. Amendments initiated by the Issuer</i>	Allowed amendments to the whitepaper and other documentary requirements initiated by the token issuers during the initial assessment and registration proper phase.
3	<i>Section 11: Access to the Whitepaper</i>	Required that the latest updated version of the whitepaper be made available to the target market.
4	<i>Section 15. Issuer with Principal Office Outside the Philippines</i>	Allowed registration of security tokens by non-resident foreign companies if the security tokens have been registered in another jurisdiction, provided that: (a) there is an information sharing arrangement in place between the Commission and the competent regulator in the jurisdiction under the laws of which the issuer is organized or where it has its principal place of business that is applicable to the issuer; (b) the security tokens are registered in another jurisdiction and the issuer provides sufficient proof of such registration and regulatory framework of the jurisdiction

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		where registered; and, (c) subject to reciprocity. Otherwise, the foreign issuer will be required to create a branch office in the Philippines.
5	<i>Section 18. Qualifications of Advisors</i>	Required comprehensive knowledge in the security token project as qualification for advisors.
6	<i>Section 21: Contents of the Registration Statement</i>	Removed the following requirements in the registration proper phase:  (a) necessity of the legal counsel to be an “independent counsel” for the legal opinion in the legality of the security tokens;  (b) legal opinion in the taxation of the security tokens; and,  (c) evidence of financial capabilities of the ICO team members.
7	<i>Section 21: Contents of the Registration Statement</i>	Required the submission of the operations manual and KYC/AMLA procedures, Disaster Recovery Plan and Risks and Security Protocols during the registration proper phase.
8	<i>Section 21: Contents of the Registration Statement</i>	Required the submission of interim financial statements as part of the registration documents in case (a) the issuer has been doing business for more than one year and (b) the prospectus is filed more than 135 days from the date of the audited financial statements.
9	<i>Article 7, Chapter I: Escrow Agent</i>	Added a Chapter on the details of the escrow requirement (i.e., appointment of escrow agent, duties and reportorial requirements of escrow agent, dissolution of the escrow relationship), and allowing alternative compliance on the escrow requirement which will also achieve the same purpose.
10	<i>Section 39: Quarterly Report</i>  <i>Section 40: Other Interim Reports</i>	Removed the following reporting requirements:  (a) quarterly progress report on the use of proceeds; and,  (b) semi-annual reports on the list of acquired and operating equipment and properties and description of future steps for the project with timeframe.
11	<i>Section 47. Return of Funds if the Project is</i>	Required the escrow agent to submit a copy of the notice of project abandonment to the Commission.

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	<i>Abandoned Before Completion</i>	
12	<p><i>Appendix I: Initial Assessment Form</i></p> <p><i>I.(iii) Nature of the Offer</i></p> <p><i>I. (v) Ticker</i></p> <p><i>I. (ix) Manner of Distribution</i></p> <p><i>IV. Information about the Token Purchasers</i></p>	<p>Revised the Initial Assessment Form, as follows:</p> <p>(a) added the choice “With available exemption” on the Nature of the Offer;</p> <p>(b) revised the term “Symbol” to “Ticker” of the security token;</p> <p>(c) added the choice “Others” to the Manner of Distribution; and,</p> <p>(d) revised the description of the required Information about the Token Purchasers to include description of the target market(s) for the coin offering.</p>
13	<p><i>Section 52: Sanctions</i></p> <p><i>Section 4: Contents of the Initial Assessment Request</i></p> <p><i>Appendix II: Contents of the Prospectus – Computation of Registration Fee</i></p>	<p>Added the following provisions:</p> <p>(a) Penalty clause; and,</p> <p>(b) Fees for the initial assessment and registration proper phase.</p>

The proposed rules are set for public comments until 15 January 2019.

END

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