

# INFRAWATCH PH

PUBLIC WORKS | TRANSPORT | WATER | TELECOMS | POWER

25C One Pacific Place, HV Dela Costa St., Makati, Metro Manila  
tridon@infrawatchph.com | infrawatchph.com

15 June 2022

**HON. BENJAMIN E. DIOKNO**

*Governor*

**Bangko Sentral ng Pilipinas**

## **RE: Letter-Request to Conduct Motu Proprio Proceedings on Binance Operations in the Philippines**

Dear Gov. Diokno:

We write to express our concern over the operations in the Philippines of Binance, an online platform for virtual asset trading, without any license from the Bangko Sentral ng Pilipinas (“BSP”).

No less than Finance Secretary Carlos Dominguez III confirms this lack of registration and authorization of Binance, last Thursday, June 9, 2022, as he reminds the public about the dangers of dealing with non-registered entities.<sup>1</sup>

Sec. Dominguez has been unequivocal in his concern in dealing with non-registered virtual asset service providers –

For non-registered entities, we issue a reminder to the public regarding dealing with entities not registered with the BSP because they cannot get legal protection from the BSP given that they are not supervised by us,” Dominguez told reporters.

This is also the case with other online businesses that are domiciled abroad but have a global reach and not registered domestically.

### **Binance is operating in the Philippines as an unregistered Virtual Asset Service Provider**

Binance has been offering its services in the Philippines for several years already, allowing Filipinos to buy and sell cryptocurrencies and performing the functions of a Virtual Asset Service Provider (VASP) through an unregulated platform. Under

---

<sup>1</sup> <https://mb.com.ph/2022/06/09/binance-not-registered-with-ph-regulators-dof/>

# INFRAWATCH PH

PUBLIC WORKS | TRANSPORT | WATER | TELECOMS | POWER

25C One Pacific Place, HV Dela Costa St., Makati, Metro Manila  
tridon@infrawatchph.com | infrawatchph.com

BSP Circular No. 1108, all VASPs shall secure a Certificate of Authority in order to operate as a Money Service Business.<sup>2</sup> VASPs are likewise allowed to only engage with other entities which are themselves “*duly authorized and licensed by the appropriate regulatory authorities.*”<sup>3</sup>

In his press conference last June 8, 2022, Binance CEO Changpeng Zhao admits that the company has yet to secure licenses from the BSP, but at the same time proudly announces its plan to reinforce its *existing* presence in the Philippines.<sup>4</sup> Despite its lack of Certificate of Authority and other regulatory permits, Binance already has a reported 3.4 million users in the Philippines. In a published article on its website last year, Binance even claims to be the “top cryptocurrency exchange in the Philippines.”<sup>5</sup>

Binance utterly disregards BSP Circular No. 1108, which has been in effect for more than a year, as well as other existing laws and regulations. This disrespect of the law was highlighted when Sec. Dominguez himself categorically informed the public that Binance is not registered with both the BSP and the Securities and Exchange Commission (“SEC”).

## **Danger to the public**

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. 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*”<sup>6</sup> and undermines the government’s risk-based approach to virtual asset transactions and service providers.

## ***Context: Ongoing crypto crash***

The emerging public concern for the regulation of the cryptocurrency sector stems from the current crash in the cryptocurrency market, with Bitcoin trading as low as \$20,889, a level unseen since December 2020, and down by more than 60% from its November 2021 high. On the other hand, Ethereum fell to around \$1,099, which is also its lowest price since December 2020.

---

<sup>2</sup> BSP Circular No. 1108, series of 2021, p. 3.

<sup>3</sup> BSP Circular No. 1108, series of 2021, p. 5.

<sup>4</sup> <https://www.philstar.com/business/2022/06/10/2187308/binance-seeks-philippine-partners-binance-billionaire>

<sup>5</sup> <https://www.binance.com/ph/blog/all/what-is-the-best-cryptocurrency-exchange-in-the-philippines-421499824684901525>

<sup>6</sup> BSP Circular No. 1108, series of 2021.

# INFRAWATCH PH

PUBLIC WORKS | TRANSPORT | WATER | TELECOMS | POWER

25C One Pacific Place, HV Dela Costa St., Makati, Metro Manila  
tridon@infrawatchph.com | infrawatchph.com

Most certainly, Filipinos currently engaged in cryptocurrency trading are reeling from the impact of the ongoing global price crash, and it is the interest of government to mitigate the impact of these events through regulation.

With various cryptocurrencies crashing like a house of cards, it is imperative for government to ensure: a) that only registered entities are permitted to receive money from the public, and b) that these entities have a track record of financial regulation compliance and customer protection.

## ***Binance banned in several countries***

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, Malaysia, and Singapore, to name a few (*see "Appendix 1" for the list of countries where Binance is banned and/or under criminal investigation*).

## ***Illicit financial activities through Binance***

Virtual assets that flow through Binance are unprotected due to a lack of regulatory license and compliance by Binance. Consumers who transact with and through Binance are thus left by themselves. On the other hand, the unchecked system of Binance, which internationally has a reputation for having weak money laundering checks and lax compliance rules,<sup>7</sup> has allowed laundering and other illicit activities to thrive on its platform. Just recently, Reuters released a report that Binance allegedly served as a conduit for laundering at least USD 2.35 billion in dirty money.<sup>8</sup> The same report characterizes Binance as a hub for hackers, fraudsters, and drug traffickers.

## ***Binance blamed for collapse of LUNA and TerraUSD***

The financial risks associated with unsupervised financial platforms were revealed by the recent crash of crypto-asset Terra (LUNA) and stablecoin TerraUSD (UST). Cryptocurrency traders, including probable Filipino traders, who invested their hard-earned money in these virtual assets were not spared, as the crash was estimated to have resulted in combined losses of US\$60 billion globally.<sup>9</sup>

---

<sup>7</sup> <https://fortune.com/2022/01/24/binance-anti-money-laundering-obligations/>

<sup>8</sup> <https://www.reuters.com/investigates/special-report/fintech-crypto-binance-dirty-money/>

<sup>9</sup> <https://www.bloomberg.com/news/newsletters/2022-05-16/the-big-take-what-caused-terra-luna-s-60-billion-implosion>

# INFRAWATCH PH

PUBLIC WORKS | TRANSPORT | WATER | TELECOMS | POWER

25C One Pacific Place, HV Dela Costa St., Makati, Metro Manila  
tridon@infrawatchph.com | infrawatchph.com

Notably, Binance was one of the biggest supporters of Terraform Labs, the company behind said LUNA and UST tokens and the Terra blockchain, through investments amounting to US\$32 million in 2018. Based on reports, Binance was also one of the platforms used by “crypto whales” to sell 285 million UST which eventually led to the tokens’ collapse.<sup>10</sup> Today, Binance faces a class suit in North Carolina, USA, filed by thousands of Terra investors who were victims of misleading advertisements by Binance on the Terra blockchain ecosystem. The suit blames Binance for the losses suffered by unsuspecting investors who were caught off guard due to Binance’s misrepresentations of the stability of said tokens.<sup>11</sup>

Heedless of the lessons from the Terra collapse and in what seems to be a hasty move to recover losses, Binance announced two weeks ago the listing of Terra 2.0 (LUNA) in its “Innovation Zone”.<sup>12</sup> Once again, Binance lures Filipinos to trade and invest in these virtual assets through its unlicensed platform, and again, at the traders’ own risk.

## **Crypto regulation ensures public protection**

Filipinos are exposed to several other financial risks every day, especially with the growing number of VASP users and cryptocurrency traders in the country. Binance exploits the Philippine market without accountability. We are talking of 3.4 million Filipino Binance users who, in the words of Finance Sec. Dominguez, “cannot get legal protection from the BSP” given Binance’s lack of Certificate of Authority from the BSP and even registration with the SEC. Moreover, Binance’s operations without a license give it an unfair competitive advantage. To date, there are nineteen (19) entities that have been given the VASP license and are consequently bound by strict compliance rules, while Binance continues to flout the regulatory requirements of the Philippine government.

As early as 2014, the BSP has emphasized the importance of government regulation in order to protect the public from the evils that come with technology like digital exchange platforms. Financial innovation indeed should not be at the expense of consumer protection. Enforcement of laws and regulations will protect both the registered entities and the investing public from any anomalies and/or irregularities that tend to result from any unlawful or unauthorized operations.

---

<sup>10</sup> <https://www.outlookindia.com/business/how-crypto-whales-wiped-off-terra-luna-on-binance-other-platforms-read-here-to-know-more-news-196106>

<sup>11</sup> <https://finance.yahoo.com/news/binance-us-accused-misleading-investors-095938130.html>

<sup>12</sup> <https://www.binance.com/en/support/announcement/d044a6742e484b77a170111460b0eed3>

# INFRAWATCH PH

PUBLIC WORKS | TRANSPORT | WATER | TELECOMS | POWER

25C One Pacific Place, HV Dela Costa St., Makati, Metro Manila  
tridon@infrawatchph.com | infrawatchph.com

## **PRAYER: Suspend and ban Binance for operating in the Philippines as an unregistered Virtual Asset Services Provider**

We, therefore, invite your immediate attention to this very pressing matter for your appropriate action, in accordance with existing laws and regulations in the Philippines.

Specifically, we pray that the Bangko Sentral ng Pilipinas undertakes the following actions:

- a. Conduct motu proprio proceedings on the operations of Binance in the Philippines
- b. After notice and hearing, and upon a finding that Binance has been operating in the Philippines as an unregistered Virtual Asset Services Provider, suspend any and all operations of Binance and/or Binance affiliates in the Philippines
- c. After notice and hearing, and upon a finding that Binance has been operating in the Philippines as an unregistered Virtual Asset Services Provider, reject any and all future applications of Binance and/or Binance affiliates to register with the BSP for compromising the financial system of the country.

Thank you for your attention to this important matter, and we look forward to your immediate action.

Sincerely,



**TERRY L. RIDON**

Convenor

INFRAWATCH PH

# INFRAWATCH PH

PUBLIC WORKS | TRANSPORT | WATER | TELECOMS | POWER

25C One Pacific Place, HV Dela Costa St., Makati, Metro Manila  
tridon@infrawatchph.com | infrawatchph.com

## Appendix 1 - *List of countries where Binance is warned, banned, and/or under criminal investigation*

Country	Link
1. United States of America	<a href="https://www.bloomberg.com/news/articles/2021-05-13/binance-probed-by-u-s-as-money-laundering-tax-sleuths-bore-in">https://www.bloomberg.com/news/articles/2021-05-13/binance-probed-by-u-s-as-money-laundering-tax-sleuths-bore-in</a>
2. United Kingdom	<a href="https://www.cnbc.com/2021/06/28/cryptocurrency-exchange-binance-banned-by-uk-regulator.html">https://www.cnbc.com/2021/06/28/cryptocurrency-exchange-binance-banned-by-uk-regulator.html</a>
3. Canada	<a href="https://financialpost.com/fp-finance/cryptocurrency/binance-rebuked-by-ontario-with-trading-permit-still-pending">https://financialpost.com/fp-finance/cryptocurrency/binance-rebuked-by-ontario-with-trading-permit-still-pending</a>
4. Japan	<a href="https://www.coindesk.com/markets/2021/06/25/japans-financial-services-regulator-issues-binance-warning/">https://www.coindesk.com/markets/2021/06/25/japans-financial-services-regulator-issues-binance-warning/</a>
5. Singapore	<a href="https://www.forbes.com/sites/zinnialee/2021/09/28/binance-to-ban-singapore-users-from-crypto-trading-and-buying-on-its-global-platform/?sh=62760f847e17">https://www.forbes.com/sites/zinnialee/2021/09/28/binance-to-ban-singapore-users-from-crypto-trading-and-buying-on-its-global-platform/?sh=62760f847e17</a>
6. Italy	<a href="https://www.reuters.com/world/china/crypto-exchange-binance-not-authorized-italian-regulators-say-2021-07-15/">https://www.reuters.com/world/china/crypto-exchange-binance-not-authorized-italian-regulators-say-2021-07-15/</a>
6. Malaysia	<a href="https://www.sc.com.my/resources/media/media-release/sc-takes-enforcement-actions-on-binance-for-illegally-operating-in-malaysia">https://www.sc.com.my/resources/media/media-release/sc-takes-enforcement-actions-on-binance-for-illegally-operating-in-malaysia</a>
7. Thailand	<a href="https://www.reuters.com/technology/thailand-sec-files-criminal-complaint-against-crypto-exchange-binance-2021-07-02/">https://www.reuters.com/technology/thailand-sec-files-criminal-complaint-against-crypto-exchange-binance-2021-07-02/</a>
8. Indonesia	<a href="https://www.cnnindonesia.com/ekonomi/20210503201318-78-638076/binance-investasi-bodong-ojk-larang-beroperasi-di-indonesia">https://www.cnnindonesia.com/ekonomi/20210503201318-78-638076/binance-investasi-bodong-ojk-larang-beroperasi-di-indonesia</a>
9. Hong Kong	<a href="https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=21PR76">https://apps.sfc.hk/edistributionWeb/gateway/EN/news-and-announcements/news/doc?refNo=21PR76</a>
10. Brazil	<a href="https://www.coindesk.com/markets/2021/08/20/binance-suspends-futures-in-brazil-citing-regulatory-requirements/">https://www.coindesk.com/markets/2021/08/20/binance-suspends-futures-in-brazil-citing-regulatory-requirements/</a>
11. Lithuania	<a href="https://www.lb.lt/en/news/bank-of-lithuania-issued-warning-regarding-binance-uab-and-other-crypto-asset-service-providers">https://www.lb.lt/en/news/bank-of-lithuania-issued-warning-regarding-binance-uab-and-other-crypto-asset-service-providers</a>
12. South Africa	<a href="https://www.pymnts.com/cryptocurrency/2021/south-african-regulator-fsca-issues-warning-on-binance/">https://www.pymnts.com/cryptocurrency/2021/south-african-regulator-fsca-issues-warning-on-binance/</a>
13. Netherlands	<a href="https://www.reuters.com/article/binance-regulator-netherlands-idUSL4N2PP38H">https://www.reuters.com/article/binance-regulator-netherlands-idUSL4N2PP38H</a>