

Cryptocurrency Adoption in the Philippines

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Current State of Philippine Cryptocurrency Adoption: The Numbers

The Philippines ranked 2nd on the Global Crypto Adoption Index, a measure of adoption by retail consumers, with almost 11 million Filipinos owning cryptocurrencies

10.9 million

Filipinos own crypto
(as of 2022, as per Finder)

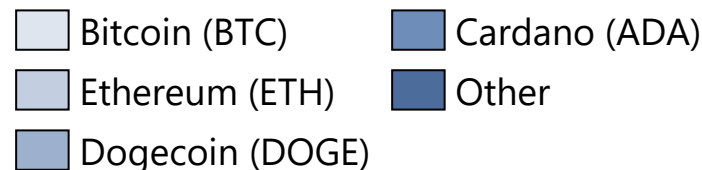
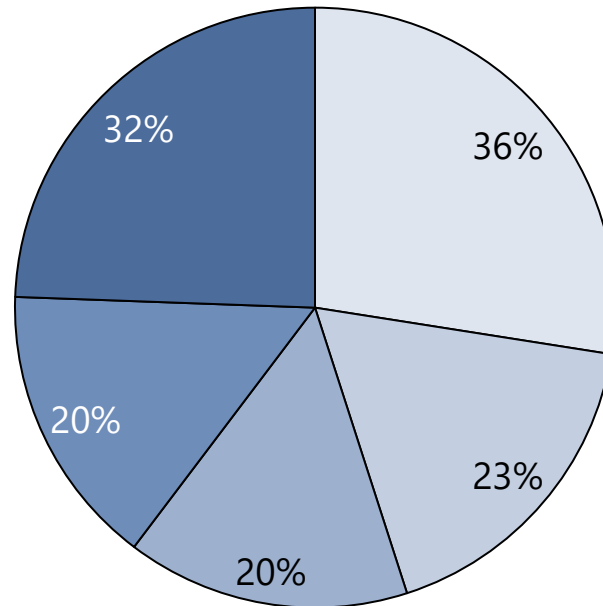
20 million

Volume of cryptocurrency transactions
(as of 2021, as per BSP)

PHP 106 billion

Value of cryptocurrency transactions
(as of 2021, as per BSP)

Top Coins Owned in the Philippines
(as of 2022, as per Finder)



Exchange (Country of Origin)	Philippine Crypto Launch	Investors
Early Players		
Coins.ph (Philippines)	2017	Gojek
PDAX (Philippines)	2018	Ripple, UBX, and others
Abra (USA)	2019	Various funds
Binance (Cayman Islands)	2019	Vertex Ventures
New Entrants		
GCash (Philippines)	2023	Globe Telecom
Maya (Philippines)	2022	Voyager Innovations

Current State of Philippine Cryptocurrency Adoption: Adoption Journey

Cryptocurrencies have gradually gained recognition among Filipinos mainly through exchanges and platforms such as Axie Infinity

Early Exchanges

- Buybitcoin.ph, launched in 2014 and closed in 2020, was the first known exchange to enable Filipinos to purchase Bitcoin through Philippine Peso. Other local exchanges soon emerged such as Coins.ph in 2017 and PDAX in 2018
- Due to the nascency of the technology, view on Bitcoin and other cryptocurrencies have been polarizing. These investments have been deemed high-risk, primarily driven by speculation due to their price volatility, and persistence of scams and security breaches of exchanges, such as Mt. Gox

National Exposure

- The use of cryptocurrency in the Philippines caught the spotlight when local and global headlines reported on the rise and fall of Axie Infinity, a play-to-earn crypto game that provided some Filipinos an extra source of income at the height of the pandemic. At its peak, Axie Infinity had 2.7 million players, with around half from the Philippines
- As the price of Axie Infinity's native coin Smooth Love Potion (SLP) crashed from its peak of PHP 20 all the way down to PHP 0.16, so did its base of users. Now it only has 250,000 active players worldwide

Mainstream Adoption

- Cryptocurrencies have become even more accessible today. In 2019, foreign exchanges such as Binance, which enabled users to buy and sell cryptocurrencies through peer to peer transactions, and Abra, which enabled users to remit and buy cryptocurrencies through convenience stores and expanded into the country
- Local conglomerates have taken notice and begun making moves in the space. In 2022, Maya, a digital bank backed by leading local telecom PLDT with over 50 million users as of 2022, launched its cryptocurrency service, enabling users to buy and sell within its mobile wallet. In 2023, GCash, the mobile wallet of Globe, another leading local telecom backed by the Ayala conglomerate, followed suit and enabled its over 80 million users to buy, sell, send, and receive cryptocurrencies within the app thanks to its partnership with local exchange PDAX

Current State of Philippine Cryptocurrency Adoption: Recent Developments

Remittances, payments, and investments have been at the center of innovations in the Philippines



Remittances

- Coins.ph, a local crypto wallet, has partnered with OK Remit, a money transfer company based in Japan, to enable low-cost cross-border payments between the Philippines and Japan via Ripple, an alternative cryptocurrency
- Strike, a digital payments platform based in the USA, has also launched a service designed to provide low-cost and instantaneous remittances to the Philippines via Bitcoin



Payments

- Dragonpay, an online payment platform mainly catering to e-commerce businesses in the Philippines, has partnered with Triple A, crypto payment gateway, to equip thousands of local online business with the capability to accept crypto as means of payment.
- Pouch.ph, a Bitcoin-focused payment platform, has onboarded over 250 merchants in Boracay to accept payments in Bitcoin



Investments

- Aside from exchanges and wallets enabling users to buy and sell crypto, UBX, the fintech subsidiary of Unionbank Philippines and supported by the Aboitiz conglomerate, has begun offering staking services via Cardano, an alternative cryptocurrency. Like interest-earning deposits, staking involves holding or locking a specific amount of digital currency for a set duration in a virtual wallet or pool of funds to support the network and earn rewards in the form of additional crypto

Political (Regulatory) Environment

Although the government acknowledges the potential and influence of cryptocurrencies, it still maintains a cautious stance towards them

- The main governing bodies involved with monitoring the cryptocurrency space have been the country's central bank, Bangko Sentral ng Pilipinas (BSP), and the Securities and Exchange Commission (SEC)
- Although current BSP Governor Medalla has **no plans of banning cryptocurrency in the country**, he warns that cryptocurrencies are risky assets that merely derives its value on market sentiment and speculation
- The BSP has launched project CBDCPh, which seeks to examine the use of **wholesale central bank digital currency (CBDC)** among selected financial institutions. This initiative seeks **to lower costs and speed up settlement times between banks**.
- The SEC has collaborated with the University of the Philippines College of Law to study **potential regulations on cryptocurrencies**. The governing body has also sought prior public comments on its drafts on the Financial Products and Services Consumer Protection Act, digital asset exchanges, and initial coin offerings

Existing Regulations on Cryptocurrencies and Digital Financial Services

Regulation	Overview
BSP – Circular 944: Guidelines for Virtual Currency (VC) Exchanges	Business involved with the exchange of fiat to cryptocurrencies are mandated to register with the BSP as remittance and transfer companies
BSP – Manual of Regulations for Non-Bank Financial Institutions (MORNBF1)	Businesses are required to have a license in order to provide Electronic Payment and Financial Services (EPFS) before being able to offer e-money services such as fund transfers and must provide their services within the National Retail Payment System (NRPS)
BSP – Circular 649: Guidelines Governing the Issuance of E-Money	Businesses must comply with the registration and operational requirements according to the Manual of Regulations for Non-Bank Financial Institutions (MORNBF1), particularly with the Electronic Banking Services and Outsourcing of Functions directives

Filipinos embrace new financial technology and have a strong online presence.



Internet Connectivity

As of 2022, the country recorded **85 million internet users** and **168 million mobile phone connections** or population penetration rates of 73% and 145% respectively. With more than 99% of phones equipped with broadband capabilities, 97.3% of users access the internet through their mobile phones



Use of Digital Finance

According to the latest Financial Inclusion Survey of the Bangko Sentral ng Pilipinas (BSP), the country's central bank, the number of **e-money accounts grew from just 5.7 million in 2019 to 27.5 million in 2021, making it the most owned form of account** ahead of traditional bank accounts (18 million in 2021). In addition, the use of cashless terminals and mobile apps for transactions increased amongst the adult population from zero in 2019 to 13% and 9% respectively while the use of cashless channels to transact online grew from 1% in 2019 to 18%. Increasing transaction volumes (+28% y-o-y as of Q1 2023) coupled with lower average transaction sizes (-10% as of Q1 2023) via InstaPay and PESOnet (electronic fund transfer service providers in the Philippines) reveal that **Filipinos have been incorporating digital payments more into their daily lives through more frequent albeit smaller transactions.**



Investment Behavior

The BSP also reported that the number of retail investors among the adult population actually decreased from 15% in 2019 to 10% in 2021 when government pension contributions are excluded; this could potentially be attributed to less stable labor and employment environment at the height of the pandemic. Among those with investments, **23% availed of Pag-IBIG, a national savings fund, with stocks, UITFs, and the like only amounting to 1%.** Generally, the intent to invest remains but 63% of Filipinos have limited resources despite their interest.

Challenges and Opportunities

Adoption has been mainly hampered by the limited understanding of consumers and institutions. Initiatives by the government and the private sector can help address this.

Challenges

- **Lack of Understanding:** According to the OECD, despite 74% of Filipinos being aware of cryptocurrencies, only 17% claimed to have a good grasp of it. This finding paired with the World Bank's report that only 25% of Filipinos understand basic financial concepts, likely based on traditional finance, raises concerns about the capacity of Filipinos to handle more complex financial instruments
- **Security:** By nature, cryptocurrencies are stored and utilized online, making it prone theft and hacking both on an individual and institutional scale. Operational security knowledge and awareness needs to be improved to minimize such risks.
- **Regulatory Uncertainty:** With cryptocurrency being a decentralized technology in its nascency, governing bodies are still in the process of understanding how they will navigate issues such as taxation, anti-money laundering (AML), know-your-customer (KYC), and consumer protection

Opportunities

- **Financial Inclusion:** The BSP has outlined a financial inclusion roadmap (National Strategy for Financial Inclusion 2022-2028) that seeks to provide access to various financial services to Filipinos beyond account ownership. The versatility and capabilities of cryptocurrency makes it a viable means of achieving this goal
- **Digitalization:** To complement its financial inclusion goals, the BSP has also been active in pursuing its goal of digitizing payments through the Digital Payments Transformation Roadmap 2020-2023. Cryptocurrency can play a role in achieving its goals of converting 50% of all payments into digital form and onboarding 70% of the adult population into the formal financial system.
- **Accessibility:** Local institutions have been taking strides in making cryptocurrencies available for purchase to the public with Unionbank Philippines being one of the first few to embrace it through the launch of their Bitcoin ATMs back in 2019. Mobile wallet players such as GCash and Maya have made it easier for their expanding user base by integrating crypto exchange platforms into their applications.

Future Outlook

Continued adoption and further innovations can be expected as the government continues to understand this emerging technology and learn from the developments in other countries

Continued adoption

- Given the high connectivity of Filipinos, **awareness of cryptocurrencies is expected to continue to rise** as more content and sources of information become more available and accessible online
- With the increased accessibility of crypto buying platforms through integration into mobile wallets, risk-tolerant investors could potentially utilize **cryptocurrencies as a means of hedging against inflation**

Further innovations

- Aside from exchanges, a **wider array of financial instruments** can be introduced, ranging from investment vehicles such as funds, options, and futures to financing products such as crypto loans, as well as custodial services for secure storage
- **Stiffer competition** can also be expected as more foreign entities expand into the country and more local firms begin to integrate cryptocurrency services into their portfolio of services

Developing regulations

- The government can be expected to maintain its stance of being open whilst maintaining caution of cryptocurrencies
- The BSP and SEC, in particular, can be expected to do further research to understand the technology while taking into account the developments in other sovereignties such as the following:
 - The European Union has passed the **Markets in Crypto Act (MiCA)**, the **first comprehensive regulatory framework for cryptocurrencies**, the first of its kind in the world; it enumerates guidelines and requirements for platforms and issuers regarding transparency, disclosures, and authorization.
 - The **US government has been cracking down on exchanges** such as Binance and Coinbase, whom it believes to have exposed US investors to undue risk. Because of this, Coinbase has begun exploring options of moving its operations outside the USA.
 - Hong Kong has formally ruled **cryptocurrencies as property that can be put into a trust** similar to other intangible assets such as stocks and bonds.
 - Thailand will be **waiving corporate income and value-added taxes to companies raising capital through digital tokens.**

About the Author



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Josh joined NRI Manila in 2021. He has worked on projects in the financial services, logistics, and real estate industries. He has a Bachelor's Degree in Management Engineering from the Ateneo de Manila University.

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