



Frequently Asked Questions (FAQs)

Non-fungible Tokens (NFTs)

QUESTION 01

What is an NFT?

Non-fungible tokens or NFTs generally represent a class of virtual asset (VA) that differs from traditional cryptocurrencies in that an NFT establishes ownership of a unique asset (digital or physical). This characteristic of “uniqueness” captures the non-fungibility aspect of NFTs. Some of the most commonly used NFTs involve digital arts, music, and in-game tokens.

In contrast, cryptocurrencies such as bitcoin, function in an opposite manner, wherein one person’s bitcoin would be identical (in terms of price/value) to another person’s bitcoin, providing the interchangeability or fungibility aspect.

QUESTION 02

Does the BSP supervise/regulate NFTs?

While NFTs may broadly fall within the definition of VAs, *BSP Circular No. 1108* dated 26 Jan 2021 on Guidelines for Virtual Asset Service Providers, specifically exclude digital units of exchange used as in-game tokens in such regulation. The BSP’s attention is positioned on the VASPs that provide consumers with the means to exchange fiat money to cryptocurrency in order to acquire NFTs, as well as the redemption back to fiat money. This is in line with the Financial Action Task Force (FATF) Guidance on a risk-based approach to VAs and Virtual Asset Service Providers.

It is important to note, however, that the use of virtual asset as a form of payment for goods or services may fall within the activities of an Operator of Payment System (OPS), pursuant to BSP Circular No. 1049 dated 09 Sep 2019.

QUESTION 03



What are the risks involved in NFT-based online games?

The growing prevalence of NFT-based online games, specifically play-to-earn games, has given many Filipinos with alternative sources of income and a renewed appreciation for digital services. This is a welcome opportunity for growth and advancement in the country.

On the other hand, we must also be wary of the accompanying risks in dealing with VAs, such as NFTs. The price volatility associated with VAs presents enormous risks which might result in financial loss. Similar to other online activities, there is a heightened risk on cyber fraud and other forms of scams.

QUESTION 04

What should consumers do to protect themselves from such risks?

If you plan to engage in these play-to-earn online games, make sure that you are knowledgeable in the basics of how the game works and more importantly, how to secure your personal information and money.

Moreover, the public should be wary of the accompanying challenges in enforcing legal recourse against companies registered and operating outside the Philippines.



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