

NON OFFICIAL TRANSLATION

San Salvador, november 14th, 2022

Secretaries of the Honorable
Legislative Assembly

Secretaries:

Complying with special instructions from the President of the Republic, I hereby submit to this Honorable Legislative Assembly, by your honorable means, based on the provisions of the second paragraph of Article 133 of the Constitution of the Republic, having been granted the Initiative of Law to the draft Legislative Decree containing the "Law of Issuance of Digital Assets", which aims to establish the legal framework that provides legal certainty to the operations of transfer to any title of digital assets used in the issuance of public offerings made in the territory of El Salvador; as well as regulate the requirements and obligations of issuers, digital asset service providers and other participants operating in the process of public offerings, in order to promote the efficient development of the digital asset market and protect the interests of acquirers.

Based on the proposed objective, I respectfully request that this Honorable Legislative Assembly take cognizance of said bill; therefore, I request that this piece of correspondence containing said bill be admitted, in order to comply with the formality of the law-making process, all with the intention that it be approved in a timely manner in accordance with the law.

GOD, UNION, LIBERTY

Maria Luisa Hayem Breve
Minister of Economy

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San Salvador, november 15th, 2022

MINISTER

With the corresponding INITIATIVE OF LAW granted by the President of the Republic, based on the provisions of article 133 second ordinal of the Constitution of the Republic, I hereby send you the Draft Legislative Decree containing the “Law of Issuance of Digital Assets”, which aims to establish the legal framework that provides legal certainty to the transfer operations to any title of digital assets used in the issuance of public offerings made in the territory of El Salvador; as well as regulate the requirements and obligations of issuers, digital asset service providers and other participants operating in the process of public offerings, in order to promote the efficient development of the digital asset market and protect the interests of acquirers; consequently, you may submit it to the Legislative, in order to question its timely approval.

GOD, UNION, LIBERTY

Conan Tonathiu Castro
Juridic Secretary of Presidency

Maria Luisa Hayem Breve

Minister of Economy

E.S.D.O.

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DECREE No.-

THE LEGISLATIVE ASSEMBLY OF THE REPUBLIC OF EL SALVADOR.

CONSIDERING:

- I. That article 101 of the Constitution states that the State shall promote economic and social development through the increase of production, productivity and the rational use of resources, and shall also promote the various sectors of industry, commerce and services; and therefore, it must harmonize the existing laws with the most relevant changes in the global economy;
- II. Pursuant to Article 102 of the Constitution of the Republic, the State has the obligation to promote and protect private initiative, generating the necessary conditions to increase national wealth for the benefit of the greatest number of inhabitants;
- III. That the global economic environment is increasingly interrelated and more digitized; and as a consequence, El Salvador must adopt innovative measures that allow it to compete for the attraction of foreign direct investment from major technology companies worldwide;
- IV. That in view of the fact that the Legislative Assembly approved on June 9th, 2021 the Bitcoin Law, this legalizing said digital assets in the country and considering that this has created a new important sector in our economy, it is crucial to create mechanisms that allow public and private sector entities to carry out public offerings of digital assets;
- V. That in view of the fact that the market of financing through digital assets has had a very important increase during the last years, it is crucial to establish regulatory frameworks that regulate such issues in the country;
- VI. Due to the fact that the digital asset market has grown at an accelerated rate during the last twelve years, it is essential to allow the State, autonomous institutions, the Central Reserve Bank and the private sector to finance themselves in this new market;
- VII. That since public offerings, in general, seek to be financed with resources from the general public, clear legal rules must be established to protect the interest of investors;
- VIII. That in order to address the above considerations, it is essential to issue rules that regulate the issuance of public offerings of digital assets, as well as the provision of digital asset services.

NOW THEREFORE,

In use of its constitutional powers and at the initiative of the President of the Republic through the Minister of Economy,

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DECREES the following:

Law for the Issuance of Digital Assets

Chapter I

General Aspects

Purpose of the Law

Art. 1.- The purpose of this Law is to establish the legal framework that grants legal certainty to the operations of transfer to any title of digital assets that are used in the issuance of public offerings made in the territory of El Salvador; as well as to regulate the requirements and obligations of the issuers, service providers of digital assets, and other participants that operate in the process of public offerings, with the objective of promoting the efficient development of the market of digital assets and protect the interests of the acquirers.

Scope of Application

Art. 2.- This Law is applicable to public offerings of digital assets in the territory of El Salvador, as well as to issuers and service providers of digital assets and other participants in public offerings.

Digital Asset

Art. 3.- A digital asset is a digital representation that can be stored and transferred electronically, using a Distributed Recording Technology system, or similar or analogous technology, in which the records are linked and encrypted to protect the security and privacy of the transactions.

As an essential characteristic, digital assets may be owned, exchanged, transferred, traded and promoted by individuals and legal entities.

Digital assets are not considered securities and therefore the provisions regarding securities contained in the Code of Commerce, nor those established in the Securities Market Law, in the Electronic Securities Law, in the Electronic Book-Entry Securities Law or in the Investment Law will not be applicable in any aspect.

Exclusions

Art. 4.- The provisions of this Law are not applicable to:

- a) Digital currencies issued by the central banks of any country, jurisdiction or territory;
- b) Digital assets that by a law prior or subsequent to this Law are legal tender in any country, territory or jurisdiction, as to its monetary regulation, and when the use is for the exchange of goods and services, except for the goods categorized as digital assets and the services set forth in Articles 19 and 26 of this Law;
- c) Digital assets that can only be exchanged for a good or service that is provided by the issuer of that digital asset or by a limited number of providers of that good or service; and,
- d) Digital assets that cannot be traded or exchanged.

Definitions

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Art. 5.- For the purposes of this Law, the terms detailed below shall have the following definitions:

- a) Reference asset: An asset that serves as a basis or reference for determining the price or value of a digital asset, such as fiat money, intangible assets or stable currencies;
 - b) Digital Wallet: It is an electronic device or a mobile application that allows transactions through the exchange of digital asset units and scriptural money and is also known as "electronic wallet";
 - c) Certifier: Legal entity that performs a financial, legal, technical and administrative analysis of the material and relevant information of the public offerings contained in the Relevant Information Document, and issues and submits a report on the issuer's compliance with the formal and substantive obligations to the National Commission of Digital Assets;
 - d) Smart Contract: A computer program, which uses Distributed Registry Technology or a similar or analogous one, and which is implemented when certain predetermined conditions are met; and is typically used to automate the execution of an agreement so that all participants can be certain of the outcome, without the need for an intermediary. Depending on the agreement between the parties, such programs may be self-executing, judicially executed, or executed in combination;
 - e) Stable Currency: A type of digital asset designed to minimize price volatility and that references, represents or is backed by an asset or basket of assets;
 - f) Digital Asset Derivative: It is a type of contract that uses a digital asset as its underlying digital asset or that is paid in digital assets, such as futures, options and swaps;
 - g) Underlying Digital Asset: A digital asset that serves as the basis or reference for determining the price or value of a derivative digital asset;
 - h) Scriptural Money: A type of money represented by book entries, usually held in bank deposit accounts.
 - i) Relevant Information Document: It is a document that informs the general public of the most relevant aspects of any public offering of digital assets, such as the clear identification of the issuer, the characteristics and objectives of the issue. This document shall identify whether the interest, gains, income or yields of the public offering will be paid with scriptural money or in digital assets;
 - j) Issuer: means the State or a person, natural or legal, private or public, that makes or promotes an offer to the public of digital assets or seeks admission of a digital asset for the purpose of selling or trading it on an exchange or trading platform, centralized or decentralized, whether regulated or not, and that meets one or more of the following three conditions:
 - 1- It is domiciled in El Salvador;
 - 2- Is not domiciled in El Salvador but uses an exchange or trading platform that is domiciled in El Salvador;
 - 3- It is not domiciled in El Salvador, but its purpose is to promote or make a public offering of digital assets to potential acquirers in El Salvador, except in the case in which the potential acquirers initiate, on their own account, the commercial relationship with the offeror of such digital assets.
- A digital asset service provider that supports trading of digital assets on its trading platform is not, by the mere fact of accepting such trading on its platform, an issuer.
- k) Public Offering of Digital Assets: It is a technical or commercial proposal made to the general public, on a massive basis, and with the purpose of marketing or selling digital assets;

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- l) **Public Debt Offering:** It is a type of public offering of digital assets which establishes a credit from the issuing entity or another entity in favor of the acquirer;
- m) **Public Offering of Ownership:** It is a type of public offering of digital assets which establishes a property right in favor of the acquirer in the issuing entity or in another entity;
- n) **Income Public Offering:** Is a type of public offering of digital assets which establishes a right of the acquirer to receive income or cash or digital assets of any nature, including earnings, profits or distribution of returns;
- o) **Funds:** These are the economic resources obtained from bills and coins, scriptural money, electronic money and digital assets;
- p) **Market Integrity:** Fair, efficient and transparent access to a market in terms of price information, marketing practices and information disclosure standards;
- q) **LRU or Uniform Resource Locator (better known by the acronym URL, from the English Uniform Resource Locator):** It is a string of characters that assigns a unique address to each of the information resources available on the Internet;
- r) **Primary Market:** A market in which issuers and acquirers participate through a centralized or decentralized platform in the trading of public offerings of digital assets, regulated or not, in the purchase and sale of such digital assets when they are offered to the public for the first time;
- s) **Secondary Market:** A market in which digital assets are traded for the second or more times by acquirers or their representatives, without the intervention of the issuers;
- t) **Node:** It is a point of intersection, union or connection of real or abstract form where several elements that communicate with each other, and that contain a sequence of commands which contributes to the general sequence of commands of a digital or computer system;
- u) **Digital Platforms:** These are digital infrastructures that allow two or more acquirers to interact and exchange digital assets for other digital assets or for fiat money;
- v) **Digital Asset Service Provider:** A natural or legal person whose ordinary line of business involves rendering one or more of the digital asset services detailed in Article 19 of this Law, and who meets one of the following two conditions:
 - 1- Is domiciled in El Salvador;
 - 2- Is not domiciled in El Salvador, but actively promotes or markets services to potential clients in the country
- w) **Digital Asset Services:** Refers to the services detailed in article 19 of this Law;
- x) **Rules for Public Offerings of Digital Assets:** Refers to the laws, regulations, instructions, technical standards, guidelines, and any regulation issued by the competent authority that is used for public offerings of digital assets.
- y) **Distributed Registry Technology:** A database system in which information is consensually recorded, shared and synchronized in a multi-node network and in which most copies of the databases are considered equally authentic;
- z) **Token:** It is a digital asset that is used as a unit of account in a network, based on the Distributed Registry Technology or a similar or analogous one;

The regulations of this Law may develop additional terms for the better functioning of the digital asset market.

Chapter II

The National Commission of Digital Assets

Creation and Domicile

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Art. 6.- The National Commission on Digital Assets, which in the text of this Law may be referred to as "The Commission", is hereby created as an institution of public law with legal personality and its own assets, of a technical nature, with economic, financial and administrative autonomy, for the exercise of the powers and duties stipulated in this Law and in the rest of the applicable common legislation.

The National Commission of Digital Assets will be related to the Executive Branch through the Ministry of Economy.

The Commission shall have its domicile in the city of San Salvador and shall be empowered to establish offices anywhere in the national territory and abroad.

Competent Organism

Art. 7.- The National Commission of Digital Assets is in charge of the application of the regulations described in this Law, its regulations and other rules of public offerings of digital assets.

The Commission in its actions related to public offerings of digital assets shall weigh the rights of the acquirers of digital assets and the general public, the promotion of innovation and competitiveness.

Protection of the Acquirers of Digital Assets

Art. 8.- The National Commission of Digital Assets shall verify that the issuance of public offerings of digital assets are carried out in accordance with the applicable obligations, ensuring the integrity of the market and the provision of due information to the acquirers.

Powers of the National Commission of Digital Assets

Art. 9.- The Commission shall have the following powers:

- a) Promote and strengthen the conditions conducive to the development of the digital assets market in El Salvador;
- b) Resolve on the authorization of public offerings and any other request submitted to the Commission; and authorize, suspend or cancel public offerings that violate provisions of this Law and its regulations;
- c) Manage and constantly update the Registries of Issuers, Certifiers, Digital Asset Service Providers and Offerings, Certificators, Service Providers of Digital Assets and of the Public Offerings of Digital Assets;
- d) Authorize, suspend, revoke and cancel the registration of Digital Asset Service Providers, in accordance with the provisions of this Law and its regulations, as well as suspend negotiations and operations of digital assets;
- e) Establish mechanisms to safeguard digital assets issued in public offerings;
- f) Authorize, suspend, revoke and cancel the registration of certifiers;
- g) Register and deregister issuers in the respective registry;
- h) In the event of default by any issuer, it may suspend the sale or marketing of such issuer's digital or marketing of the digital assets of such issuer;
- i) Establish standards of good business conduct and ethical standards to be followed by digital asset service providers, violations of which could result in sanctions;
- j) To certify the Relevant Information Documents in the event that there are no authorized certifying entities;
- k) Examine, oversee and supervise the activities of Digital Asset Service Providers and any other entity subject to the supervision of this Commission;

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- l) Ensure that Digital Asset Service Providers, Certifiers, Issuers and Acquirers comply with this Law and its regulations;
- m) To carry out inspections, proceedings and investigations established in the regulations of this Law;
- n) Impose the sanctions established in this Law;
- o) To issue technical norms and standards, as well as guides and instructions, applicable to this Law and its regulations;
- p) To issue, amend and revoke agreements, guidelines and instructions related to the application of this Law and its regulations.
- q) Issue guidelines and technical regulations applicable to stable currencies, including proof of funds or backing of the value of such currencies, as well as all relevant documentation that issuers of such digital assets must submit to the Commission in order to carry out public offerings;
- r) To settle consensual agreements between the subjects in accordance with the scope of this Law, when there is a risk to the integrity of the digital asset market;
- s) Acquire and dispose, in any capacity and in accordance with the applicable norms, of the goods and services necessary for the fulfillment of its objectives,
- t) To issue its internal regulations and establish its organizational structure;
- u) Charge fees for the registration of Digital Asset Service Providers and Certifiers, as well as for their administration and issuance of respective certifications;
- v) To collect the fees for the authorization of public offerings and certifications established in this Law.

Organization and Functioning

Art. 10.- The highest authority of the Commission shall be the Board of Directors, which shall be composed as follows:

- a) A full-time proprietary appointee, who shall be the Chairman of the Commission, and his respective alternate, appointed by the President of the Republic;
- b) A full-time proprietary designee and his/her respective alternate, appointed by the Secretariat of Commerce and Investments of the Republic;
- c) A full-time proprietary appointee and his/her respective alternate, appointed by the Ministry of Economy.

The Officers shall be appointed for a term of five years.

The President of the Commission shall be responsible for legal, judicial and extrajudicial representation.

The Board of Directors of the Commission, upon convocation by its Chairman, shall meet at least once a month.

In order to hold a meeting, the presence of the Chairman or whoever is acting in his stead, and the presence of all the proprietary members or their respective alternates, when they are acting as proprietary members, shall be necessary.

The resolutions or agreements of the Board of Directors of the Commission shall be adopted with at least two favorable votes of the members present. When they do not replace a regular member, the alternate members of the Board of Directors may attend its meetings with voice, but without vote.

Powers of the Board of Directors

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Art. 11.- The Board of Directors shall have the following attributions:

- a) Approve strategies for the promotion of investments in digital assets, in accordance with the Government's policies;
- b) Approve and modify the work plans and financial programming of the Commission;
- c) Approve the preliminary draft budget for each fiscal year, for the administration and operation of the Commission and the salary system, and send it to the Ministry of Economy, so that it may be fully incorporated into the budget of the Ministry of Economy;
- d) Approve the Commission's organizational structure for its operation and the job description manual, considering the suitability for the performance of the functions;
- e) Create advisory committees of digital asset advisors and trainers;
- f) Authorize the contracting of the external audit;
- g) Authorize the Chairman of the Board of Directors to initiate preliminary negotiations for donations, in accordance with legal regulations, to fulfill the purposes of the Commission;
- h) Approve the amount of payments for services rendered by the Commission;
- i) Approve the Commission's Internal Working Regulations, as well as other applicable internal regulations;
- j) Evaluate the results obtained and reorient strategies, when necessary;
- k) Enter into acts, agreements and contracts with natural or juridical persons, as well as with public or private, national or foreign entities;
- l) Incorporate corporations, joint stock companies or any other type of company to make investments for the benefit of the Commission;
- m) To issue special regulations of a technical and operational nature;
- n) Any other duties that may be necessary for the fulfillment of the purposes of the Commission, within the framework of this Law.

Fees and Charges

Article 12.- The fees for registration and administration services for the Registry of Digital Asset Service Providers, as well as for the authorization of public offerings, shall be as follows:

- 1) Digital Asset Service Providers, including Certifiers, shall:
 - a) Pay a one-time registration fee equivalent to fifteen minimum wages in the commerce and services sector;
 - b) Pay an annual registration renewal fee equivalent to ten minimum wages in the commerce and services sector during the first quarter of the year;
 - c) Pay fifty United States dollars, or its equivalent in bitcoin, for each additional registration certification issued to them, apart from the original certification.
- 2) Issuers shall:
 - a) Pay an amount equivalent to 0.01% of the amount of the authorized public offering at the time of receiving the requested issuance authorization, as established in the Relevant Information Document;
 - b) Pay fifty United States dollars, or its equivalent in bitcoin, for each certification of the resolution issued by the authorization of the issuance.

In the case of stablecoin issuers, they must inform the amount of stablecoins they plan to issue during the next twelve months and pay the corresponding fee for that amount. If the amount issued is greater than projected at the

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end of the twelve months, they shall pay the corresponding fee for the stablecoins not included in the initial projection.

The fees and charges established in this article shall not apply to the State, the Ministry of Finance, the Central Reserve Bank of El Salvador, and autonomous institutions.

Additionally, the Commission may charge for services it provides to digital asset service providers, issuers, certifiers, acquirers, and applicants of any type of information.

Chapter III

Bitcoin Fund Administration Agency

Art. 13.- The Bitcoin Fund Administration Agency is hereby created, which in the text of this Law may be referred to as "AAB" or "The Agency," as a public institution with legal personality and its own assets, of a technical nature, with economic, financial, and administrative autonomy, for the exercise of the powers and duties stipulated in this Law and in the rest of the applicable common legislation.

The AAB shall relate to the Executive Branch through the Ministry of Economy.

The AAB shall have its domicile in the city of San Salvador and shall be authorized to establish offices anywhere in the national territory and abroad.

Competent Authority

Art. 14.- The Bitcoin Fund Administration Agency is responsible for the administration, safeguarding, and investment of: i) funds from public offerings of digital assets made by the State of El Salvador and its autonomous institutions, and ii) the returns from such public offerings.

The AAB in its actions related to public offerings of digital assets shall prioritize investment in public works and projects.

Organization

Art. 15.- The AAB shall be led by an administrator appointed by the President of the Republic for a period of five years, and it is the administrator who shall exercise the legal, judicial, and extrajudicial representation of the Agency.

Faculties

Art. 16.- The AAB shall have the following powers:

- a) To administer and safeguard the funds from public offerings made by the State of El Salvador or any of its autonomous institutions;
- b) To diligently invest the funds from public offerings made by the State or any of its autonomous institutions;
- c) Prioritize the investment of the funds it manages in public works and projects that benefit the entire population;
- d) Charge management fees for the funds it invests and manages, up to a maximum of 0.5%;

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- e) Establish its internal regulations and organizational structure;
- f) Oversee and control the entities in which it has made investments;
- g) Carry out direct contracting as necessary to carry out its operations, according to the procedure established in Chapter V, Title VI of the Public Administration Procurement and Contracting Law;
- h) Sign cooperation agreements with autonomous institutions and other entities related to public offerings.

The AAB must open bank or cryptographic accounts to receive, safeguard, store, and disburse funds from public offerings of digital assets issued by the State or any of its autonomous institutions.

Obligations

Art. 17 - The AAB shall have the following obligations:

- a) Act with transparency and honesty in the management of the administered funds;
- b) Provide public quarterly reports on the management of invested funds;
- c) Diligently evaluate the projects in which it plans to invest;
- d) When investing in equity and debt securities, seek to minimize risk;
- e) Constantly analyze new investment opportunities for the administered funds;
- f) Any other obligation established by the regulations of this Law.

Chapter IV

Digital Asset Service Providers

Registration of Digital Asset Service Providers

Art. 18 - The Registry of Digital Asset Service Providers, hereinafter referred to as the Registry, is created, which will be administered by the National Commission of Digital Assets.

To register Providers of Digital Asset Services, the following must be observed:

- a) Providers of Digital Asset Services regulated by this Law may only offer and provide digital asset services if they are registered with the National Digital Asset Commission of El Salvador;
- b) A Provider of Digital Asset Services that is offering digital asset services prior to the entry into force of the regulations for the Registry of Providers of Digital Asset Services must comply with what is established in article 45 of this Law.
- c) Any natural person who wishes to register in the Registry referred to in this article must present their Unique Identity Document or residence card. Additionally, they must indicate their place of domicile in the country.
- d) Any legal entity that wishes to register in the Registry referred to in this article must present their legal personality. In the case of foreign legal entities domiciled in another country, jurisdiction or territory, they must form a corporation or branch domiciled in El Salvador and duly registered with the National Registry Center, and present the legal personality of that company to the Commission.

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Other aspects relating to the organization and operation of the Registry, including the procedures and formats to be used for registration, modification or deregistration, which must be comprehensive and proportional to the nature, scale and complexity of the services that the applicant will provide, and the nature of the digital assets and their derivatives, will be developed in the respective regulations established by this Law.

Digital Asset Services

Art. 19.- Providers of digital asset services may carry out the following activities:

- a) Exchange of digital assets for fiduciary money or equivalent or for other digital assets, either using their own capital or that of a third party;
- b) Operate a platform for the exchange or commercialization of digital assets or digital asset derivatives;
- c) Evaluation of risk and price, as well as subscription to digital asset issuances;
- d) Place digital assets on digital platforms or wallets.
- e) Promote, structure, and manage all types of investment products in digital assets;
- f) The following operations when carried out on behalf of and for the benefit of third parties:
 - 1. Transfer digital assets or the means to access or control them, between natural or legal persons or between different acquirers, electronic wallets, or accounts of digital assets;
 - 2. Safeguard, custody or manage digital assets or the means to access or control them;
 - 3. Receive and transmit orders to buy or sell digital assets or negotiate derivative digital assets;
 - 4. Execute orders to buy or sell derivative digital assets.

The National Commission of Digital Assets may, through technical and operational regulations, as well as instructions and guidelines, create procedures and define the necessary forms for the optimal implementation of the aforementioned services.

Requirements to be a Digital Asset Service Provider

Art. 20.- The requirements to register as a digital asset service provider are as follows:

- a) Demonstrate the ability to offer the digital services indicated in its registration form;
- b) In case of offering the services established in paragraphs a), b), d), and f) of the previous article, provide a list of the digital assets it plans to sell or market, including the benefits, restrictions, and limits of such digital assets, as well as any financial and commercial restrictions. Likewise, it must implement appropriate cybersecurity standards on its platform for the operations to be carried out, as defined by the Commission;
- c) Provide a detailed description of its organizational structure, including but not limited to names, positions, and specific functions;
- d) Demonstrate the possession of a coherent and efficient user support system that corresponds to the nature of the service to be provided.
- e) For registered service providers, they must pay an annual fee for the renewal of such registration during the first quarter of each year, regardless

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of the initial registration date, according to the amounts. If payment is not verified during this period, the registration will be canceled.

The Commission will establish the technical, financial and commercial parameters that service providers must comply with through the regulations of this Law.

Once the information required by this Law and the corresponding regulations for digital asset service providers is submitted in the application format determined by the Commission, it will have a period of up to twenty (20) business days to issue a favorable or unfavorable resolution. In the event that the application is incomplete, the Commission will notify the applicant of this situation and request that the information be completed within a period of five business days. Once all the missing information has been received, the Commission will issue its resolution. If complete information is not provided, the Commission will issue an unfavorable resolution, and the service provider may reapply for registration.

If the resolution is favorable, the service provider must pay the fee established in this Law. After verifying compliance with the requirements and payment of the corresponding fee, a registration number will be assigned to the service provider.

Registered service providers must pay an annual fee for the renewal of their registration during the first quarter of each year, regardless of the initial registration date, according to the amounts determined in this Law. If payment is not verified during this period, their registration will be canceled.

Obligations of Digital Asset Service Providers

Art. 21. Digital asset service providers must comply with the following obligations:

- a) Register as a digital asset service provider in the respective registry;
- b) Carry out their activities with honesty and integrity, according to the guidelines of good commercial conduct and ethical standards established by the National Digital Assets Commission;
- c) Pay due attention to the interests and needs of each and every one of their clients and communicate with them clearly, fairly, balanced, and non-deceptively, in accordance with the nature of the service provided;
- d) Provide truthful and easily available information on their digital platforms regarding the services they offer.
- e) Comply with the instructions of the National Digital Asset Commission and other competent authorities and provide them with the information they request;
- f) Act diligently, according to the parameters and standards established by the National Digital Asset Commission, when admitting the marketing or sale of a digital asset on their platforms or infrastructure, as well as in public offers they promote and admit on their platforms, although they will not be responsible for the returns or profitability offered by the issuers, nor for the accuracy of the financial data they present to the public;
- g) Establish a customer service, which can be accessed by telephone, email or other easily accessible means;
- h) Maintain adequate financial and non-financial resources, as established by the National Digital Asset Commission;

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- i) Manage and control their activity effectively, and carry it out with due skill, care and diligence, taking into account the risks to their activity and their clients;
- j) Have and apply effective mechanisms for the protection of digital assets and fiduciary money of issuers and acquirers, when these are under their custody;
- k) Have and apply effective mechanisms to prevent price manipulation and maintain market integrity, established in Articles 3, 43 and 35 of this Law;
- l) Have and apply effective mechanisms of corporate governance, when applicable;
- m) Report quarterly to the Commission on the prices they charge for the services they offer, including all types of specific commissions and charges;
- n) Implement computer systems that are secure and maintained at a high level of quality and cybersecurity, according to the international criteria and parameters that have been adopted and established by the Commission;
- 1. Have systems to prevent, detect and disclose the risks of financial crimes, such as money laundering and terrorist financing;
- o) Have a contingency plan for the orderly and solvent liquidation of their activity;
- p) Inform the Commission of the cessation of activities and request the corresponding registry to be deregistered;
- q) Inform the Commission immediately every time they admit a stablecoin to trade on their platform, including the technical and commercial characteristics of such stablecoin.

Chapter V

Public Offerings

Section I

Issuers and Certifiers of Public Offerings

Requirements for Issuers

Art. 22.- Issuers, including those issuing stablecoins, may carry out the public offerings regulated by this Law, provided that they comply with the following requirements:

- a) In the case of a legal person, provide a general description of its business or usual trade, including its date of incorporation and registration with the competent authority and address; and in the case of a natural person, full name, unique identity document number, resident card or passport, and address;
- b) Indicate the URL of their main website;
- c) Clearly identify the jurisdictions, countries, or territories where they conduct their operations;
- d) Provide a list of digital assets they have issued in public offerings in other jurisdictions, countries, or territories during the last three years;
- e) Comply with all the requirements and conditions established in the regulations and technical standards issued by the Commission;

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All of the above-mentioned information must be included in the Relevant Information Document that issuers must submit for their public offering to be certified and enabled. The requirements mentioned in the previous paragraph will be considered fulfilled once the issuer's public offering has been enabled by the Commission.

However, issuers must report any modification to the information mentioned in the first paragraph of this article within a period not exceeding ten business days from the modification.

With the exception of the requirement established in subparagraph e) of this article, the requirements mentioned in this article are exempted for the State, the Ministry of Finance, and the Central Reserve Bank of El Salvador.

Issuer Registry

Art. 23-. Once a public offer of an issuer is enabled by the Commission, the issuer will automatically become part of a register of issuers administered by the National Digital Asset Commission.

The other aspects related to the organization and operation of the Issuer Register, including the procedures and formats to be used, will be developed in the respective regulation.

Deregistration from the Issuer Register

Art. 24-. The registration of the issuer will be deregistered under the following circumstances:

- a) When issuers voluntarily request their deregistration from the National Digital Asset Commission, proving that they do not have any enabled public offers pending to issue and have complied with their obligations in previously enabled public offers;
- b) When one of the public offers of an issuer was canceled by the Commission, and they do not have pending compliance with obligations of previously enabled public offers, the issuer will be deregistered from the Register and cannot rejoin it for a period of one calendar year;
- c) In case the issuer has a pending enabled public offer to issue, and another of their public offers was canceled by the Commission, they cannot carry out the enabled public offer and will be deregistered from the Register and cannot rejoin it for a period of one calendar year.

The regulations of this Law will establish the procedures for the suspension or cancellation of the registration of issuers.

Responsibilities of Issuers

Art. 25-. Issuers will be responsible for the veracity of the data they provide in their public offers, as well as the information and documentation they provide to certifiers and the Commission.

Issuers, either on their own behalf or through a third party, must have effective mechanisms to control and safeguard the funds or other digital assets obtained during the public offer. Additionally, they will explain the way in which they will use the funds or other digital assets obtained during the public offer.

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In addition to what is established in the previous sections of this article, issuers must comply with the following obligations permanently:

- a) Act with honesty, impartiality, and professionalism in all their dealings with acquirers and potential acquirers in accordance with the provisions of the Commission;
- b) Keep all relevant information up to date regarding the requirements established in article 2 of this Law, when applicable;
- c) Keep electronic books, records, and other documents of the operations related to the public offerings they have carried out in the manner prescribed by the National Commission of Digital Assets;
- d) Comply with the obligations established in articles 33, 34, and 35 of this Law;
- e) Comply with the regulations, instructions, technical standards, guidelines, and any other regulations issued by the National Commission of Digital Assets.

Additionally, when making a public offering of digital assets, issuers must comply with the following obligations:

- a) Conduct a diligent analysis of the digital assets issued in their public offerings, both in their technical and commercial functionality;
- b) Communicate the most relevant aspects of the public offering to acquirers in a clear and non-deceptive manner;
- c) Keep relevant electronic records and documents related to the public offerings they make in the manner indicated by the Commission;
- d) Prepare and keep their financial statements up to date when requested by the Commission;
- e) Keep all relevant and pertinent information regarding the public offerings they have issued in an LRN address, including all the information contained in the Relevant Information Documents of said public offerings.

The technical and operational regulations will establish the procedure that issuers must follow to carry out public offerings.

Role of certifiers

Art. 26.- Every public offering of digital assets shall comply with the authorization of such offering, for which purpose, as a prior stage, the certifying entities shall perform a comprehensive analysis of the requirements, instructions, technical standards, guides and any regulation issued by the National Commission of Digital Assets. Subsequently, the certifiers must issue a report containing their analysis of the viability of the proposed public offering, whether favorable or unfavorable, which in any case shall be submitted to the Commission. Only favorable reports will be considered certified.

Requirements of the Certifiers

Art. 27.- To be a certifier, it must be registered before the National Commission of Digital Assets, and must comply with the following requirements: to be an entity that within its organization complies with a minimum experience of five (5) years in financial, tax, legal, administrative or related matters, which may be accredited personally by the partners or shareholders that compose the entity, who must hold university degrees of higher education, in order for the entity to assume the experience of its members.

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Requirements for Certifiers

Art. 27 - In order to be a certifier, it must be registered before the National Commission of Digital Assets, and must comply with the following requirements: to be an entity that within its organization has at least five (5) years of experience in financial, tax, legal, administrative or related matters, which may be accredited personally by the partners or shareholders that compose the entity, who must hold university degrees of higher education, so that the entity assumes the experience of its members.

Registration of Certifiers before the National Commission of Digital Assets

Art. 28.- The National Commission of Digital Assets shall keep a registry of the certifying entities authorized in the country, for which purpose it shall require the following information and duly legalized documentation:

- a) Deed of incorporation of the company duly registered before the competent authority and the shareholders' payroll, which shall be updated annually;
- b) Institutional organization chart;
- c) International organizational structure, if applicable;
- d) Curriculum vitae of the partners or shareholders, with their respective attachments and certifications of the titles accrediting them;
- e) Initial balance sheet and financial documentation;
- f) Current company registration;
- g) Tax Identification Number.

Once the application for registration has been filed, the National Commission of Digital Assets will have a term of up to twenty (20) business days to issue a favorable or unfavorable resolution. In case the application is incomplete, it will notify the applicant of such institution and will warn to contemplate the information within a term of five business days. Once all the missing information has been received, the Commission will issue a resolution. If the complete information is not submitted, the Commission will issue an unfavorable resolution, and the entity may resubmit its application for registration.

If the resolution is favorable, the certifier must pay the fee established in this Law. After verification of compliance with the requirements and payment of the corresponding fee, a registration number will be assigned.

Registered certifiers shall pay an annual fee for the renewal of such registration during the first quarter of each year, regardless of the date of initial registration, according to the amounts determined in this Law. In case payment is not verified during said period, their registration will be cancelled.

Responsibility of the Certifiers

Article 29 - The certifying entities shall have the following responsibilities:

- a) To evaluate financially and technically the viability and feasibility of the public offerings proposed by the issuers;
- b) Evaluate and inform the National Commission of Digital Assets about the financial, technical and legal risks of the public offerings proposed by the issuers;
- c) Issue a comprehensive opinion, favorable or unfavorable, with respect to the certification of the proposed public offerings and communicate it to the National Commission of Digital Assets;

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- d) To keep the confidentiality of the information and documentation received by the potential issuers;
- e) Refrain from participating in or advising on any operation that generates indications of suspicion of illicit activities; f) Refrain from participating in or advising on any operation that generates indications of suspicion of illicit activities;
- f) Inform the Attorney General's Office of the Republic about possible illicit activities detected in the evaluation of public offerings;
- g) Comply with the regulations, instructions, technical standards, guides and any other rules issued by the National Commission of Digital Assets.

The technical and operational regulations will establish the procedure that will govern the work of the certifiers.

SECTION II

Public Offerings of Digital Assets

Issuance of Public Offerings of Digital Assets

Art. 30.- It shall be understood that there is a mission of a public offering of digital assets when these are offered to the public in general, in a massive manner, and with the purpose of marketing or selling such digital assets.

The public offerings referred to in the preceding paragraph may be made by issuers, as defined in this law, using already existing digital assets, and building, through them, new digital assets, such as tokens that offer a yield in a specific digital asset platform or creating totally original digital assets by the issuer.

Public offerings may be carried out by the State, the Ministry of Finance, the Central Reserve Bank, autonomous institutions, as well as private individuals and legal entities.

Exclusions from Public Offerings of Digital Assets

Art. 31.- The offerings of digital assets or their derivatives that are made privately are excluded from the provisions of this Law relating to public offerings.

Relevant Information Document and Enabling a Public Offering

Art. 32.- Every issuer shall prepare the Relevant Information Document when it plans to make a public offering.

The Relevant Information Document shall be certified by an entity duly authorized by the National Commission of Digital Assets.

Once the document is certified, it shall be submitted to the Commission for its authorization. Once the issue has been authorized, the Commission will make the content of the Relevant Information Document available to potential acquirers at its LRU address.

The content and parameters to be included in this document, and the procedure for certification and qualification of the issue, will be established in the corresponding technical and operational regulations.

Admissions or requests for admission of a stable currency in a digital platform domiciled in El Salvador are excluded from the obligation to submit the Relevant Information Document.

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Competitiveness

Art. 33.- Digital asset service providers are obliged to supply products at economically competitive prices and under economically competitive conditions. Such prices, including commissions or specific charges, shall be directly related to the nature of the service provided. Digital asset service providers must inform the Commission of all prices and fees charged for the services they offer. In addition, they must disclose in a clear and visible manner to users, on the LRU address of their main website or on their digital platforms and applications, all amounts charged, including all fees and specific charges.

Both issuers of public offerings and digital asset service providers shall inform potential acquirers of the terms and conditions of the public offerings they conduct or market prior to the execution of the trading, transfer or sale and purchase transaction. Acquirers are presumed to have given their consent and acceptance of the terms and conditions of the offer, as well as their obligations and rights, when carrying out the transfer or purchase of digital assets.

In addition, digital asset service providers shall identify, with their identity documents and other necessary information, all acquirers of the digital assets of the public offerings enabled by the Commission that are traded on their digital platform or application. Additionally, they may also deny the sale or acquisition of a digital asset to any potential acquirer that does not comply with the aforementioned identification and information transparency requirements. The respective procedures related to the identification and transparency of acquirers will be developed in the respective regulation.

Issuers of public offerings and digital asset service providers shall refrain from the following actions, as applicable:

- a) Transmitting or planning to transmit false or misleading signals as to the public offering it issues, its demand or the price of the digital assets offered;
- b) Fixing the price of one or several digital assets in coordination with other issuers or market participants in such a way as to cause unlawful enrichment for the issuers;
- c) Carrying out a transaction, giving a trading order or any other activity or conduct that affects or may affect the price of one or several digital assets, using fictitious mechanisms or any other form of deception or artifice;
- d) Disseminate information through the media, including the internet, or by any other means, that implies false or misleading signals as to the supply, demand or price of a digital security;
- e) Coordinate mechanisms for fixing prices of digital assets offered;
- f) Carry out actions that seriously undermine the stability and integrity of the digital assets market;
- g) Coordinate schemes for the purchase of digital assets, prior to the issuance of the public offering, that result in unusually high prices for the network and technology in which the operation is developed;
- h) Any other practice that the National Commission of Digital Assets through a reasoned resolution determines that inhibits the proper functioning of the market.

Notwithstanding, both issuers and service providers of digital assets have the power to design public offerings and marketing plans for digital assets that establish specific

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standards. Such standards may establish broad restrictions and limits on the purchase, trading or acquisition of digital assets for citizens or residents of certain jurisdictions, countries or territories.

Market Integrity

Art. 34.- Issuers and service providers of digital assets must implement appropriate measures to ensure that the market maintains its integrity and prevent market abuses and manipulated sales.

Any other action that the National Commission of Digital Assets establishes as a practice that undermines the integrity of the market may be warned by means of a reasoned resolution issued by the Commission.

Market Manipulation

Art. 35.- Issuers and service providers of digital assets shall refrain from actions that result in market manipulation. Such actions are the following:

- a) Damaging or delaying the operation of the digital asset trading platform or performing any activity that may have that effect;
- b) Making it difficult for others to identify genuine orders on the digital asset trading platform or engaging in any activity that may have that effect, including issuing orders that destabilize the normal operation of a digital asset trading platform;
- c) (c) Creating a false or misleading signal about the supply, demand or price of a digital asset, in particular by issuing orders to initiate or exacerbate a trend or engaging in any activity that may have that effect;
- d) Taking advantage of access to a traditional or electronic means of communication for the purpose of stating an opinion on a digital asset after having carried out transactions for or against such digital asset and benefiting from the repercussions of the opinion expressed on the price of such digital asset, without having simultaneously disclosed the nature of such transactions and of their interests;
- e) Any other action that the National Commission for Digital Assets establishes as a market manipulation practice by means of a reasoned resolution.

Benefits

Art. 36.- Issuers of digital assets, duly registered digital asset service providers, certifiers, and acquirers of digital assets, as well as public offerings of digital assets, shall be governed by the following rules and shall enjoy the benefits detailed below:

- a) The yield of digital assets shall be determined at the time of the transaction, in accordance with the conditions of the digital asset market. The digital assets may have a discount or premium, according to the practice of the digital asset market in which they are issued;
- b) The nominal value and the yields or income from digital assets shall be exempt from all kinds of levies, duties, taxes, rates and contributions, of any kind and nature, present or future, whether ordinary or extraordinary or even special. The capital gain or ordinary income obtained from the

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- purchase and sale or any other means of transfer of digital assets, including debt forgiveness, shall be exempt from any kind of taxation;
- c) Issuers, certifiers, and registered digital asset service providers shall enjoy all the tax benefits established in paragraph b) of this article with respect to the activity related to digital assets they develop, being exempt from the Tax on the Transfer of Movable Goods and Rendering of Services, Income Tax, Municipal Tax or any other taxation independent of its nature; for the purposes of the provisions of this paragraph, they shall also be exempt from the obligation to withhold such taxes in the event that such obligation exists;
 - d) In the case of legal entities, the tax benefits of paragraphs b) and c) shall apply both to the entity and to the partners or shareholders individually considered, with respect to the profits or dividends derived from the activities detailed in the preceding paragraphs;
 - e) The tax benefits established in the previous paragraphs shall not apply when transactions of exchange of digital assets for goods or services that are not detailed in Article 19 of this Law are carried out.

Sanctioning Procedure

Art. 37.- The procedure for the determination of infractions, their sanction and prescription shall be governed by the provisions of Title V of the Sanctioning Power of the Law on Administrative Procedures.

Infringements and Penalties

Art. 38.- The providers of digital asset services, the certifiers, and the issuers of public offerings shall be subject to the following sanctions for the commission of infractions as detailed below:

- a) The following infractions will be sanctioned with a fine of up to one hundred and fourteen minimum salaries of the commerce and services sector for each infraction:
 - 1. For service providers and certifiers, failure to register in the respective Registries;
 - 2. Omitting the information, records, notices, data, explanations and extensions required by the
 - 3. Omitting the information, records, notices, data, explanations and extensions required by the National Commission of Digital Assets or its auditors or providing incomplete reports, including data related to public offerings of digital assets, without a justified cause;
 - 4. Failure to comply with the standards of good conduct and ethics established by the National Commission of Digital Assets;
- b) The following infractions will be sanctioned with a fine to be determined between one hundred and fifteen minimum wages and three hundred and five minimum wages of the commerce and services sector for each infraction:
 - 1. Admitting or trading on its digital platform digital assets without the due enabling of their issuance by the National Commission of Digital Assets;

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2. Performing any of the actions set forth in the fifth subsection of Article 33, as well as the actions of Article 35 of this Law;
 3. Refusing to comply with the resolutions issued by the National Commission of Digital Assets, in accordance with the procedures set forth in this Law and its regulations;
 4. Refusing to provide information required by the Commission related to the public offering issues of digital assets, digital asset services and users of digital platforms or applications, as applicable;
 5. Providing wrong or erroneous information to the National Commission of Digital Assets without correcting it, upon being prevented within the term established by the Commission;
 6. If the fine is imposed as a consequence of the infraction committed is cancelled five working days after acquiring firm status, a surcharge of twenty percent of the total value of the fine imposed will be applied.
- c) Issuers that fail to comply in a clear and material manner with the terms and conditions set forth in its Relevant Information Document will be sanctioned with a fine to be determined between three hundred six and one thousand two hundred minimum wages of the commerce and services sector; if the fine is imposed as a consequence of the infraction committed is cancelled five business days after acquiring firm status, a surcharge of twenty percent of the total value of the fine imposed will be applied.
- d) Issuers will be sanctioned with a fine of up to one percent of the total value of the initial public offering for committing any of the following infractions:
1. Carrying out an issuance of digital assets without due authorization by the National Commission of Digital Assets;
 2. Concealing material and relevant information about a public offering. The Commission will consider the determination of a higher fine when the information concealed is related to the financial, commercial and technological risks of such offering.
- e) In the case of certifiers, when a resolution is issued determining a breach of their responsibilities and the guidelines issued by the National Commission of Digital Assets through regulations, administrative resolutions and application guides, they will be sanctioned with the suspension of their functions for a period of forty-five calendar days. After said period, an internal hearing will be established, conducted by the National Commission of Digital Assets, in which it will be determined whether to permanently revoke their quality of certifier or to authorize them to continue in their functions.

The regulations of this Law shall establish the procedures for the suspension or cancellation of the quality of certifier and the holding of the hearing mentioned in the preceding paragraph.

Criteria for the establishment of fines

Art. 39.- The Commission shall impose the respective fines taking into account the following criteria:

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- a) The seriousness of the infringement;
- b) The damage caused, either to the purchasers of the Digital Assets or to the integrity of the Digital Assets market;
- c) The indications of intentionality;
- d) The ability to pay and the effect of the sanction in repairing the damage to the injured acquirers;

Mitigating and Aggravating Factors to the Penalties

Article 40.- The sanctions shall be mitigated by seventy-five percent when the offender remedies the non-compliances, omissions or inaccuracies in which he has incurred, voluntarily, once the National Commission of Digital Assets has requested or summoned him and he does so during the first five days of the term established by the Commission. In case he does it after the five days, but is within the established term, no mitigation shall be applied.

Penalties shall be aggravated when there is a recidivism. This is understood as such, when the same obligation is not complied with again, or when having established the sanction, it is not remedied within the determined term. In this case, the applicable sanction will be increased by fifty percent and no mitigating circumstances will be applicable.

Income of Funds

Art. 41.- The funds from the imposition of sanctions shall be paid into the General Fund of the State.

Chapter VII

Other Provisions

Electronic Signature

Art. 42.- The National Commission of Digital Assets shall accept the electronic signature, as long as it complies with the requirements established in the Law of Electronic Signature, in all its administrative procedures and formalities, including the presentation of documents and requests for information that the issuers, certifiers and service providers of Digital Assets make. Such electronic signature shall have the same validity and the same legal and evidentiary effects as a handwritten one.

General Regulations

Art. 43.- The President of the Republic shall approve the general regulations of this Law ninety days after its entry into force.

Provisional Registry of Service Providers

Art. 44.- The service providers of Digital Assets that are operating, prior to the entry into force of this Law, shall apply for their registration in the Registry by complying with the requirements set forth in Articles 18 and 20 of this Law, within ten working days after the law enters into

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force. Upon requesting their registration, they may obtain a provisional registration which will be valid for six months.

If they do not file their application within the term established above, they will not be able to continue their operations and must file their application once the respective regulations enter into force, complying with all the requirements established by this Law and the Regulations.

Certification of the Relevant Information Document by the Commission

Art. 45.- As long as there are no entities accredited and registered as certifiers, the National Commission of Digital Assets shall carry out the process of certification of the Relevant Information Documents.

Prevalence

Art. 46.- The present law shall prevail by criteria of specialty, over any other norm or legal provision that opposes or contradicts it in whole or in part.

Validity

Art. 47.- The present decree shall enter into force eight days after its publication in the Official Gazette.