



Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Building, EDSA, Greenhills, Mandaluyong City

SEC WARNING TO RECRUITERS, SELLERS, AND OFFERORS OF UNREGISTERED SECURITIES

The Securities and Exchange Commission is alarmed that PONZI, PYRAMIDING and other forms of investment scams continue to proliferate in the country in spite of its numerous advisories, press releases and inter-agency and multi-sectoral efforts to curb these illegal activities.

Further, the Commission finds it appalling that a number of victims have admitted awareness of the illegality and non-sustainability of the investments they have made. However, because of the promise of quick and easy money that requires minimal or no efforts, not only did they invest their savings, borrowed money and sold properties but worse, they convinced their families, friends and relatives to do the same.

The public is reminded that PONZI is an illegal investment scheme where investors are enticed with the prospect of high returns but the company shows no viable business operation. Under this scheme, the profits promised to earlier investors are paid from funds collected from new investors. On the other hand PYRAMIDING, is a variation of PONZI that is typically masked as a Multi-level Marketing scheme, where participants profit *primarily* through recruiting other people. Hence, the funds invested by the *down-lines* (oftentimes referred to as "Joining Fee") are used to pay the *up-lines*.

Legitimate Multi-level Marketing companies focus on marketing efforts rather than recruitment. For more information, please watch <http://www.dsap.ph/anti-pyramiding-video.html> (DSAP 8-point Test)

In recent months, scammers have employed novel schemes and devises that use gold, precious metals, hidden treasures, travel opportunities, cars and other luxuries to make it difficult for the public to distinguish the genuine investment opportunities from the fraudulent ones.

Accordingly, we reiterate that under Sec. 5.1 of the Securities Regulation Code, securities shall not be sold or offered for sale or distribution within the Philippines, without prior registration with the SEC. More importantly, as provided in Section 28.1 thereof and as decided by the Supreme Court in SEC vs. Oudine Santos (G.R. No. 195542. March 19, 2014) ***no person shall engage in the business of buying or selling securities***, as a broker or dealer, or act as a salesman, or an associated person of any broker or dealer unless registered as such with the Commission.

Let this be a **WARNING** to those who ***invite or recruit*** other people to join or invest in these illegal ventures. Except those qualified to become state witnesses, the Commission through the Enforcement and Investor Protection Department, shall not hesitate to invoke the full force of the law by imposing sanctions and by filing criminal charges against these violators.

25 August 2015, Mandaluyong City