



## **ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT**

### **ADVISORY ON PUREWEALTH EBC CORPORATION AND PUREPOUND**

The Securities and Exchange Commission has received information that **PUREWEALTH EBC CORPORATION** (Hereafter "**PUREWEALTH**") is offering a cryptocurrency called **PUREPOUND** to the public.

Per records of the Securities and Exchange Commission ("Commission"), **PUREWEALTH** is registered with the Commission as a corporation with the primary purpose of engaging in other wholesale activities. However, the said corporation is not authorized to solicit investments from the public as the above-mentioned entity did not secure prior registration and/or license to solicit investments from the Commission as prescribed under Section 8 of the Securities Regulation Code.

Based on information gathered by the Commission, **PUREWEALTH**, together with other promoters, brokers and agents, has been conducting various events around the country and online promotions to offer and sell **PUREPOUND**. **PUREPOUND** was advertised and promoted as an investment vehicle where coin holders can earn a profit by merely holding the said coins. Likewise, the following information were gathered:

1. **PUREPOUND** can be bought and sold at **PUREWEALTH**'s cryptocurrency exchange at <http://cryptrade-asia.com/>;
2. **PUREPOUND** can also be acquired by purchasing a Cryptocard from **PUREWEALTH**'s website for PhP3,999.00. It includes PhP4,500 worth of **PUREPOUND**. **PUREWEALTH**'s Cryptocard also allows its holder to engage in "Passive Mining" by uploading official receipts;
3. There are three ways of earning profit through **PUREPOUND**, to wit:
  - a. **HOLDING** – When holding, you buy cheap, hold and sell high;
  - b. **TRADING** – When trading, you catch highs and lows of price on crypto-exchange and make fast profits; and
  - c. **INVESTING** – When investing, you buy a coin during the initial coin sale stage and wait for the proposal to be realized.

4. As of 29 April 2018, **PUREPOUND** is allegedly the second largest currency in terms on global capitalization behind Bitcoin and above Ethereum;
5. On 5 May 2018, **PUREPOUND** was initially launched by **PUREWEALTH** Chairman **PHILIP WEN BOMBITA** at the SMX Convention Center in Bacolod City, Negros Occidental;
6. On July 2018, the **PUREPOUND** team claimed that it submitted its whitepaper and registration application with the Commission;
7. Last 6 July 2018, **PUREPOUND**, advertised as the 1<sup>st</sup> Filipino Cryptocurrency, held a Soft Launching and Presentation with the theme “Purepound presents Many Ways to Earn: The Next Big Thing of Cryptocurrency” in Kalibo, Aklan;
8. **PUREWEALTH** is scheduled to host promotional events on the following dates and areas:
  - a. July 19 in Dumaguete;
  - b. July 24 in Romblon;
  - c. July 31 in Baguio City;
  - d. August 4 in Zamboanga City;
  - e. August 11 in Cotabato City;
  - f. August 18 in General Santos City;
  - g. August 25 in Butuan City;
  - h. September 1 in Cagayan de Oro City;
  - i. September 8 in Surigao City;
  - j. September 15 in Davao City;
  - k. September 22 is Leyte ICO;
  - l. September 29 is Cebu ICO;
  - m. October 20 is Iloilo ICO;
  - n. October 27 is Capiz ICO;
  - o. November 3 is Aklan ICO; and
  - p. November 24 is National ICO at the Manila Hotel.
9. On 22 September 2018, an event called the “Purepound Initial Coin Offering” will be held at the Oriental, Palo, Leyte to allegedly publicly launch the “initial coin offering” of **PUREPOUND**.

Contrary to the above-mentioned schedules, as early as April 2018, **PUREPOUND** is already being sold in their cryptocurrency exchange and is claimed to have the following values during the corresponding dates:

- a. PHP179.74 on 5 April 2018;
- b. PHP183.13 on 6 April 2018;
- c. PHP13,515.42 on 26 April 2018;

- d. PHP13,516.00 on 28 April 2018;
- e. PHP28,760.39 on 4 May 2018;
- f. PHP30,636.76 on 30 May 2018;
- g. PHP32,850.99 on 2 June 2018;
- h. PHP33,152.63 on 4 June 2018;
- i. PHP33,582.31 on 6 June 2018;
- j. PHP33,712.98 on 7 June 2018;
- k. PHP35,200.05 on 13 July 2018

As of 23 July 2018, one **PUREPOUND** is sold at PHP35,216.89.

Contrary to the representations of the **PUREPOUND** team in their individual Facebook pages, **per SEC records, PUREWEALTH has not submitted any formal application for the registration of PUREPOUND with the Commission nor have they applied for a secondary license for the offer, promotion, sale or solicitation of PUREPOUND.**

It should be noted that, the Commission, thru the EIPD, issued the **8 January 2018 ADVISORY ON INITIAL COIN OFFERINGS** stating that “some of these new cryptocurrencies or digital coins, based on the facts and circumstances surrounding their issuance, follow the nature of a security as defined by Section 3.1 of the Securities Regulation Code.”

Given the circumstances of the promotion, offer and sale of **PUREPOUND**, it is considered as an **investment contract** under Section 3.1(b) of the RA 8799, otherwise known as the Securities Regulation Code. Under Rule 26.3.5, par. 4 of the SRC's Amended Implementing Rules and Regulations of 2015, an **investment contract** has been defined as a contract, transaction or scheme (collectively "contract"), whereby a person invests his money in a common enterprise and is led to expect profits primarily from the efforts of others.

Applying the *Howey Test*, as discussed by the Honorable Supreme Court in *Power Homes Unlimited vs. SEC* (G.R. No. 164182, February 26, 2008), **PUREPOUND** is an investment contract because the following requisites concur:

### **1. Investment of money**

There is investment of money because **PUREPOUND** can only be acquired in exchange for Philippine Pesos in **PUREWEALTH's** Cryptocurrency Exchange (<http://cryptrade-asia.com/>) or by purchasing a **PUREWEALTH's** Cryptocard which contains Php4,500.00 worth of **PUREPOUND**. As posted above, one **PUREPOUND** may be bought for PhP179.74 as early as April 2018 from the said exchange. Likewise, it was publicly announced that the price of **PUREPOUND** continues to go higher.

### **2. In a Common Enterprise**

The proceeds of the sale of **PUREPOUND** go directly to **the PUREPOUND** team and **PUREWEALTH**, its issuer, who shall use such funds to create the mobile platform for the use of the cryptocurrency.

### **3. With the expectation of profits**

The primary consideration for the purchase of **PUREPOUND** is the potential to earn profits as a result of the coin's projected growth in market value. This marketing pitch led the public to purchase the said coin with the expectation that they will earn profits from the price appreciation.

### **4. Primarily from the efforts of others**

The **PUREPOUND** investor does not need to exert any effort to earn profits. As shown above, a coin holder only needs to retain ownership of the said coin and eventually sell it once its price appreciates.

**Undoubtedly, the PUREPOUND is a SECURITY TOKEN and its sale and offer constitutes a sale or offer of an investment contract within the purview of the term "securities" as defined by law.**

Since this scheme involves the sale of securities to the public, the SRC requires that the said securities offered are duly registered and that the appropriate license and/or permit to sell securities to the public are issued to the corporation and/or its agents, pursuant to the provisions of Section 8 of the SRC.

Likewise, those who act as salesmen, brokers, dealers or agents of these companies in selling or convincing people to invest in the investment scheme being offered by these cryptocurrency mining companies including solicitations and recruitment through the internet may likewise be prosecuted and held criminally liable under Section 28 of the Securities Regulation Code and **penalized with a maximum fine of Five Million pesos (P5,000,000.00) or penalty of twenty-one (21) years of imprisonment or both pursuant to Section 73 of the SRC.**

Accordingly, those who invite or recruit other people to join or invest in this venture or offer investment contracts or securities to the public may be held criminally liable or accordingly sanctioned or penalized in accordance with the Supreme Court decision in the case of *SEC vs. Oudine Santos* (G.R. No. 195542, March 19, 2014).

Furthermore, the names of all those involved will be reported to the Bureau of Internal Revenue (BIR) so that the appropriate penalties and/or taxes be correspondingly assessed.

In view thereof, the public is hereby advised to exercise caution before investing in these kinds of activities and to take the necessary precaution in dealing with **PUREWEALTH EBC CORPORATION** or its representatives.

Information and inquiries as to whether securities are registered or not may be sought from the SEC's Corporate Governance and Finance Department, or Market and Securities Regulation Department through telephone numbers 818-6103 and 818-5703 respectively.

The Commission urges anyone who has knowledge or information about any business transaction involving these securities or investment opportunities to report such activity so that appropriate actions could be taken through the Enforcement and Investor Protection Department at (02)818-6337 or (02)818-6047 or email us at [epd@sec.gov.ph](mailto:epd@sec.gov.ph).

For the guidance of the public.

24 July 2018.