



ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT

ADVISORY ON FREEDOM TRADERS CLUB AND PLOUTOS COIN

The Securities and Exchange Commission has received information that **FREEDOM TRADERS CLUB**, through its founder **MARK FREEMAN**, are offering a cryptocurrency called **PLOUTOS COIN** to the public.

Per records of the Securities and Exchange Commission (“Commission”), **FREEDOM TRADERS CLUB** is not registered as a corporation or partnership and is not authorized to solicit investments from the public as the above-mentioned entity did not secure prior registration and/or license to solicit investment from the Commission as prescribed under Section 8 of the Securities Regulation Code.

Based on information gathered by the Commission, **FREEDOM TRADERS CLUB** has been conducting orientation seminars throughout the Visayas and Mindanao region to promote the grand launching of **PLOUTOS COIN**. In the said orientation seminars, **PLOUTOS COIN** was advertised and promoted as an investment vehicle where coin holders can earn a profit by merely holding the said coins. Likewise, in the said orientation seminars, the following representations were made:

- a. **FREEDOM TRADERS CLUB** is a forex trading or forex auto-trading club founded by **MARK FREEMAN**;
- b. **MARK FREEMAN** created a new system to invest in their trades called **PLOUTOS COIN**;
- c. The value of **PLOUTOS COIN** increases through supply and demand;
- d. **PLOUTOS COIN** was first sold on 1 January 2018 at USD1.00;
- e. As of the date of the seminar, the current value of the coin is USD1.75;
- f. Income is generated when the value of the coin increases;
- g. The price movement of **PLOUTOS COINS** is similar to Bitcoin which is derived from demand and supply; and
- h. It is publicly announced that the price of **PLOUTOS COINS** will “skyrocket” after six months.

On 8 July 2018, an event called the “The Ploutos Coin Grand Launching” was held at the Atrium Limketkai, Cagayan de Oro City to publicly launch the “initial coin offering” of **PLOUTOS COIN**.

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 issuance of **PLOUTOS COIN**, it is considered as an **investment contract** under Section 3.1(b) of the RA 8799, otherwise known as the Securities Regulation Code. Under the SRC’s Amended Implementing Rules and Regulations of 2015, specifically Rule 26.3.5, par. 4, 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), **PLOUTOS COINS** are investment contracts because the following requisites concur:

1. Investment of money

There is investment of money because **PLOUTOS COINS** can only be acquired in exchange for USD or its equivalent in Philippine Pesos. As posted above, on 1 January 2018, one coin may be bought for USD1.00 from **FREEDOM TRADERS CLUB**. Likewise, it was publicly announced that as of 3 June 2018, one coin may be bought or sold for USD1.75.

2. In a Common Enterprise

The proceeds of the sale of **PLOUTOS COINS** go directly to **FREEDOM TRADERS CLUB**, its issuer, who shall use such funds to create the mobile platform for bills payment, merchant services, sending money, etc.

3. With the expectation of profits

The primary consideration for the purchase of **PLOUTOS COINS** is the potential to earn profits as a result of its projected growth in market value. It was marketed by its issuer, brokers and salesmen as a cryptocurrency similar to bitcoin whose value will dramatically increase over time. 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 **PLOUTOS COIN** 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 PLOUTOS COINS are SECURITY TOKENS and its sale and offer constitute a sale of 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 **FREEDOM TRADERS CLUB** 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.

For the guidance of the public.

12 July 2018.