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SEC DECLARES CEASE AND DESIST ORDER AGAINST CROWD1 PERMANENT

The Securities and Exchange Commission (SEC) has made permanent its order stopping CROWD1 Asia Pacific, Inc. from soliciting and accepting investments from the public under a scheme disguised as a digital marketing business.

In a [resolution issued on July 2](#), the Commission denied the Motion to Lift Cease and Desist Order Ad Cautelam filed by CROWD1 for lack of merit and thereby declared the cease and desist order permanent.

“A careful review of the Motion to Lift will show that except for its general denials, CROWD1 failed to present any evidence in support of its claim that it is not engaged in the sale and/or offer for sale of securities in the form of investment contracts,” the resolution read.

The SEC issued a cease and desist order against CROWD1 last May 12 after finding that the entity has operated “a fraudulent investment scheme consisting of the sale and/or offer of inexistent securities in the form of investment contracts to the public.”

CROWD1 has solicited and accepted investments from the public by offering what it describes as educational packages for a minimum of P6,000 and as much as P240,000.

To entice the public to invest, CROWD1 has promised member-investors five different bonuses: streamline bonus, binary pairing bonus, fear of loss bonus, matching bonus, and residual bonus from games and gambling apps.

CROWD1 has likewise touted a pairing incentive payable in euros to encourage member-investors to recruit new members.

Representing itself as a digital marketing business, CROWD1 has claimed that it generates income from online games and facilitates the generation by its members of residual income from its affiliate gaming companies such as AFFIGLO and MIGGSTER.



The SEC ruled that CROWD1's scheme involved the sale and/or offer of securities in the form of investment contracts and, thus, required a secondary license under Republic Act No. 8799, or The Securities Regulation Code (SRC).

The Commission also ruled that the act of CROWD1 of publishing and making presentations on its investment/ business scheme through its website, Facebook, YouTube and on-ground events, and inviting investors constituted a public offering as defined under Rule 3.1.17 of the 2015 IRR of the SRC.

Section 8 of the SRC provides that securities shall not be sold or offered for sale or distribution within the Philippines, without a registration statement duly filed with and approved by the SEC.

CROWD1 neither secured a secondary license to operate as a broker/dealer, registered as issuer of mutual funds, exchange-traded funds or proprietary/nonproprietary shares, nor registered any securities pursuant to the SRC.

CROWD1 only registered as a corporation for the primary purpose of engaging in business process outsourcing services.

The SEC emphasized that the certificate of incorporation granted to CROWD1 explicitly prohibited the corporation from soliciting, accepting or taking investments or placements from the public as well as from issuing investment contracts.

Accordingly, the Commission directed CROWD1 to cease and desist, under pain of contempt, from engaging in activities of selling and/or offering for sale securities in the form of investment contracts or other similar schemes without prior registration and permit to sell.

The SEC also ordered CROWD1 to cease from promoting its investment scheme in social media and other online platforms.

Furthermore, the Commission prohibited CROWD1 from transacting any business involving funds in its depository banks, and from transferring, disposing, or conveying in any manner all related assets for the benefit of the investors.

The cease and desist order covers the corporation's operators, partners, directors, officers, salespersons, agents, representatives, promoters, and all persons, conduit entities and subsidiaries claiming and acting for and on its behalf.

In its Motion to Lift, CROWD1 argued its operations were limited to business processing, with affiliates marketing products and shares in the earnings of the



organization. It also argued that the educational packages it was selling to the public was allowed since its objective is to educate the affiliates of the organization on possible wealth to be gained from marketing products and services.

The SEC, however, sustained the evidence presented by the Enforcement and Investor Protection Department (EIPD) showing CROWD1, its officers, agents and representatives were soliciting investments by enticing people to avail of its educational packages and recruit more investors to receive commissions.

The Commission noted: "As correctly pointed out by the EIPD, people avail of the so-called educational packages for the purpose of securing for themselves the guaranteed high yields promised by CROWD1. Thus, we agree with the EIPD that the marketing of CROWD1's investment products is actually a public sale and/or offering of securities in the form of investment contracts. We also agree with the EIPD that CROWD1 acts as a conduit of funds. CROWD1's allegation that it is not authorized to market nor receive payments from investors is belied by the receipts it issued to the investors which is under the name of a corporation which owns 40% of CROWD1."

The SEC also found CROWD1's investment taking-activities *ultra vires* or beyond the authority it was granted, in violation of Section 44 of Republic Act No. 11232, or the Revised Corporation Code of the Philippines.

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