



## PHILIFINTECH INNOVATION OFFICE

### SEC ADVISORY

Against dealing with unregistered cryptocurrency exchanges

#### I. Background

Considering the recent collapse of a large international cryptocurrency exchange, the Securities and Exchange Commission (SEC) **strongly warns and advises the public against transacting with unregistered and unlicensed cryptocurrency exchanges reachable and deemed operating in the Philippines.** The collapse left hundreds of thousands, even millions of unsecured creditors with little to no recourse in recovering their money.

#### II. Law

By Philippine law, an entity is required to register with the SEC if they intend to conduct business in the Philippines. SEC is the registrar and overseer of the Philippine corporate sector; it supervises more than 600,000 active corporations and evaluates the financial statements (FS) filed by all corporations registered with it. SEC also develops and regulates the capital market, a crucial component of the Philippine financial system and economy. This is consistent with the State Policy of ensuring full and fair disclosure about securities, minimize if not totally eliminate insider trading and other fraudulent or manipulative devices and practices which create distortions in the free market.

Likewise, it should be noted that under Philippine securities laws, persons, 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 Commission<sup>1</sup>. Moreover, no person shall engage in the business of buying or selling securities in the Philippine 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.<sup>2</sup>

Moreover, under Philippine lending laws, only corporations registered in the Philippines are allowed to engage in granting loans from its own capital funds or from funds sourced from not

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<sup>1</sup> Sec. 8 of the Securities Regulation Code (2000)

<sup>2</sup> Sec. 26 of the SRC.



more than nineteen (19) persons.<sup>3</sup> In addition, no lending company shall conduct business unless granted an authority to operate by the SEC.<sup>4</sup>

### III. Advisory

A number of unregistered cryptocurrency exchanges are deliberately targeting Filipino investors and borrowers through online advertisements in social media and unlawfully allowing Filipinos to access their online platforms and permit the enrollment, creation, or registration of client accounts through online means. They offer different products and schemes which are high risk and sometimes fraudulent. The SEC reiterates its warning through its **“Advisory against Dealing with Non-Registered Foreign Entities, Organizations and Corporations.”**<sup>5</sup>

### IV. Offerings

Unregistered cryptocurrency exchanges include and offer facilities or platforms for the purpose of, but are not limited to the following:

1. sale of unregistered cryptocurrencies deemed as securities;
2. conversion of one cryptocurrency to another cryptocurrency;
3. facilitation for the issuance of unregistered coin or token offerings;
4. offering of cryptocurrency savings where there is a promise of a fixed or estimated return in exchange for depositing cryptocurrency in the platform;
5. offering of crypto-loans where users may obtain instant loans secured by digital assets;
6. offering of cryptocurrency derivatives and futures contracts;
7. sale of tokenized shares of stocks of corporations;
8. educational or learning platform for the purpose of enticing future clients;
9. enabling peer-to-peer cryptocurrency transactions.

### V. Conclusion

Always remember that in case of doubt as to whether or not it is safe to transact with an online platform or entity, always #CheckWithSEC if the corporation or entity is registered or not. The SEC’s website, [www.sec.gov.ph](http://www.sec.gov.ph), provides information on company registration, registration statements, secondary licenses, advisories, investor protection and investments. You may send your queries or concerns via email to the PhiloFintech Innovation Office at [fintech@sec.gov.ph](mailto:fintech@sec.gov.ph).

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<sup>3</sup> Sec. 3(a) of the Lending Company Regulation Act (2007)

<sup>4</sup> Sec. 4 of the LCRA

<sup>5</sup><https://www.sec.gov.ph/advisories-2021/sec-advisory-against-dealing-with-non-registered-foreign-entities-organizations-and-corporations/>