



ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT

SEC ADVISORY ON IMPERSONATION SCAMS

There has been a rise of reports regarding entities that pose as legitimate and reputable financial institutions scamming the investing public of their hard-earned money. The public is advised to protect themselves from obvious investment scams by making sure that he or she has done enough research and has equipped themselves with enough information about the entity and their business. Always check prior registration with the Securities and Exchange Commission.

Remember, a corporation or any business entity **MUST SECURE PRIOR REGISTRATION AND ACQUIRE A SECONDARY LICENSE TO SOLICIT INVESTMENTS** before engaging in any investment-taking activities. The mere fact that an entity has no secondary license granted by the SEC make their investment-taking activities, **ILLEGAL**.

In addition, agents and promoters of scams and illegal investment-taking schemes often entice their prospective victims that their business has been running for a long time and has been paying their clients the promised profits. Even if an entity appears to be paying their clients the promised profits initially or for quite a time, it does not mean that they can sustain the same. If the entity has no product or service in exchange for the profits that they give to their investors, then that entity most probably employs a ***Ponzi scheme***.

Put simply, a ***Ponzi scheme*** involves paying existing investors in a virtually nonexistent enterprise or business with the funds collected from new investors. Meaning, the money given as a perceived profit to existing investors is actually taken from the money invested by new investors. This business model is unsustainable and is bound to crash when they run out of new investors; the business has no other way of producing money because they do not offer any real product or service in exchange for money.

When the business employs a ***Ponzi scheme***, the public's investment is never safe because the business can fail and collapse any given time as soon as they are not able to invite new investors to fund the promised profits to existing investors. Worse, some entities even runaway with the hard-earned money of investors even before the business crashes leaving both existing investors and newly invited investors high and dry because their money got taken away.

Protect your money, always equip yourselves with the proper information and knowledge before investing and do not hesitate to check with the Securities and Exchange Commission.

Makati City, 24 January 2023.