



Republic of the Philippines
Department of Finance
Securities and Exchange Commission

ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT

**In the matter of
INFINITY8NETWORKS DIGITAL
SERVICES OPC
SEC No.: 2023090115615-70**

SEC EIPD Case No. 2023-7631

For Revocation of Certificate of Incorporation for violation of the Revised Corporation Code of the Philippines in relation to Presidential Decree No. 902-A for serious misrepresentation as to what the corporation can do to the great prejudice of or damage to the general public

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ORDER OF REVOCATION

INFINITY8NETWORKS DIGITAL SERVICES OPC is a Corporation registered with the Commission on 08 September 2023 under Company Reg. No. 2023090115615-70. Its principal office address is located at Avida Towers, Alabang Fourth District-City of Muntinlupa, City of Muntinlupa, Fourth District, National Capital Region (NCR) 1780. Its primary purpose as stated in its Articles of Incorporation is:

“To operate, manage, and engage in the business of data processing, web hosting and related activities by providing infrastructure for these activities as well as provision of search facilities and other portals activities for the internet.

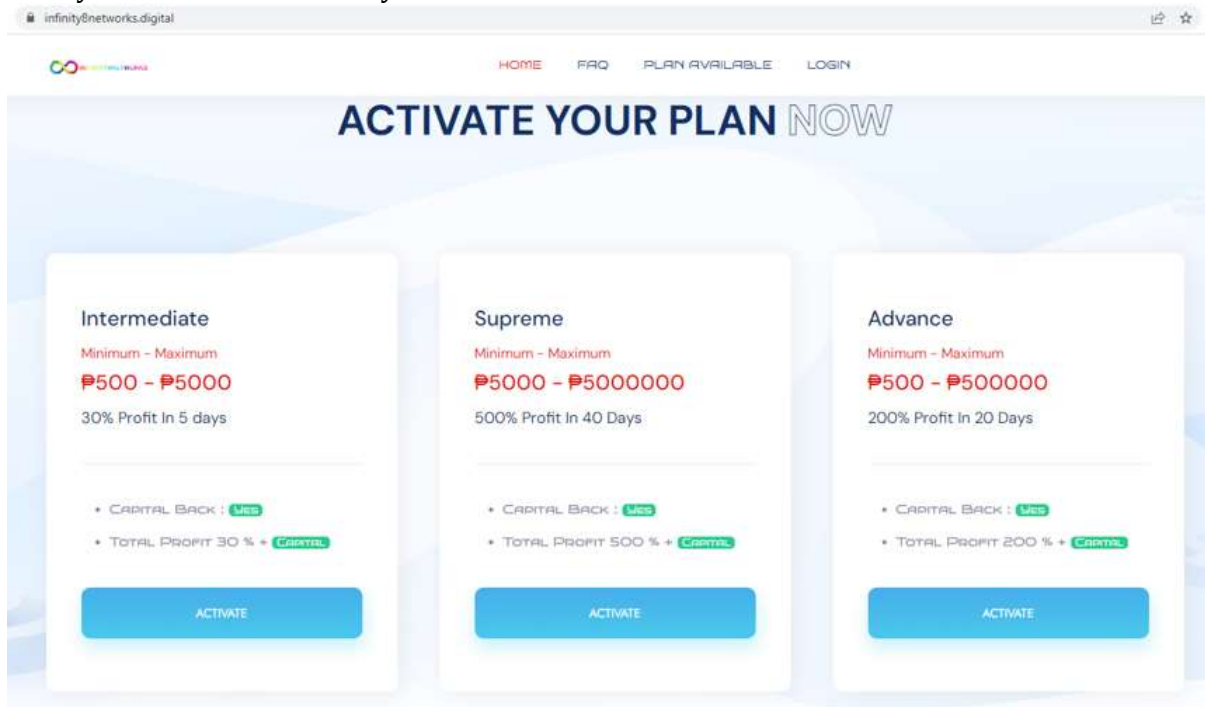
Provided that the corporation shall not solicit, accept or take investment/placement from the public neither shall it issue investment contracts.”

The incorporators of **INFINITY8NETWORKS DIGITAL SERVICES OPC** are as follows:

NAME	NATIONALITY	RESIDENCE
FRANCO DELACRUZ FLORDELIZA (Single stockholder-director-president)	Filipino	Alabang, City of Muntinlupa, Fourth District, NCR
JAMES FLORDELIZA (Nominee)	Filipino	Alabang, City of Muntinlupa, Fourth District, NCR
DAVE DELACRUZ FLORDELIZA (Alternate Nominee)	Filipino	Alabang, City of Muntinlupa, Fourth District, NCR

In this regard, the Department received numerous emails inquiring and/or reporting about **INFINITY8NETWORKS DIGITAL SERVICES OPC** and its alleged investment-taking activities where it promised guaranteed return of investments.

Investigation conducted by the Department revealed that **INFINITY8NETWORKS DIGITAL SERVICES OPC** offers unregistered securities to the public with a minimum investment of Php500.00 up to Php500,000.00 per account. Investors may earn 30% after 5 days, 500% after 40 days and 200% after 20 days.



Since what is being offered for sale by **INFINITY8NETWORKS DIGITAL SERVICES OPC** are securities, the Securities Regulation Code (SRC) requires that said offer and sale of securities must be duly registered with the Commission and that the concerned corporation and/or its agents have appropriate registration and/or license to sell such securities to the public.

However, **INFINITY8NETWORKS DIGITAL SERVICES OPC** is not authorized to solicit, accept or take investments/placements from the public nor to issue investment contracts and other forms of securities defined under Section 3 of the Securities and Regulation Code (SRC) as it has not applied for or has been issued a Secondary License to offer and/or sell securities to the public.

Thus, on 14 November 2023, an SEC Advisory was issued and posted on the Commission's website informing the public, that:

“As posted in its website, **INFINITY8NETWORKS DIGITAL SERVICES OPC** is offering investments to the public with a minimal amount of PHP500.00 up to PHP500, 000.00 per account. Investors may earn **30% after 5 days, 500% after 40 days and 200% after 20 days**. Furthermore, once you become a member, you will earn fixed dividends from the income generated by the said entity. The dividend will depend on your contribution with the company. You will also earn an additional income from your referrals, and promos that is included in the program.

INFINITY8NETWORKS DIGITAL SERVICES OPC allegedly earns through **FROILAN PEDIONGCO FLODELIZA**'s skills in crypto trading. Based on their website, IFINITY 8 NETWORKS platform works for you. All you have to do is to wait for your scheduled maturity date then withdraw your earnings.

The transactions stated above are considered securities in the form of "investment contracts" which must be registered with the Commission. The elements are all present as there is an investment of money by the public into the common enterprise known as **INFINITY8NETWORKS DIGITAL SERVICES OPC** with the expectation of profits either **30% after 5 days, 500% after 40 days and 200% after 20 days** while relying on said entity to manage their trades.

The records of the Commission show that **INFINITY8NETWORKS DIGITAL SERVICES OPC** is registered with the Commission as a One Person Corporation (OPC). However, **INFINITY8NETWORKS DIGITAL SERVICES OPC IS NOT AUTHORIZED to solicit investments from the public since it has not secured prior registration and/or license from the Commission as prescribed under Sections 8 and 28 of the Securities Regulation Code.**

Hence, the public is advised **NOT TO INVEST** or **STOP INVESTING** in any investment scheme being offered by any individual or group of persons allegedly for or on behalf of and to exercise caution in dealing with any individuals or group of persons soliciting investments for and on behalf of it."

Despite the issuance of the above-mentioned SEC Advisory against **INFINITY8NETWORKS DIGITAL SERVICES OPC**, the said entity did not pay attention thereto, and in fact, continued its investment-taking activities.

Thus, a **Show Cause Order** was issued against **INFINITY8NETWORKS DIGITAL SERVICES OPC** via email dated 28 November 2023 and registered mail on 29 November 2023 to its principal address indicated in its Articles of Incorporation and to the single stockholder-director-president, nominee and alternate of the said entity (**FRANCO DELACRUZ FLODELIZA, JAMES FLODELIZA, and DAVE DELACRUZ FLODELIZA**), *directing the company to show cause why its Certificate of Incorporation should not be revoked for serious misrepresentation as to what the corporation can do or is doing to the great prejudice of or damage to the general public and for committing fraud in the procurement of its Certificate of Incorporation and to show cause why no administrative sanction and/or criminal charges should be filed against INFINITY8NETWORKS DIGITAL SERVICES OPC for violation of the Securities Regulation Code.*

To date, despite such receipt and presumptive notice of the Show Cause Order as detailed above, the company failed to respond, which shall be construed as a waiver of its right to be heard as to matters stated in the aforementioned Show Cause Order.

Hence, the factual backdrop having been laid, we now resolve the instant case on the basis of available evidence.

Section 3.1 of the Securities Regulation Code (SRC) defines securities as:

"3.1 "Securities" are shares, participation or interest in a corporation or in a commercial enterprise or profit-making venture and evidenced by a

certificate, contract, instrument, whether written or electronic in character.
It includes:

- (a) Shares of stocks, bonds, debentures, notes, evidences of indebtedness, asset-backed securities;
- (b) ***Investment contracts***, certificates of interest or participation in a profit-sharing agreement, certificates of deposit for a future subscription;
- (c) Fractional undivided interests in oil, gas or other mineral rights;
- (d) Derivatives like option and warrants;
- (e) Certificates of assignments, certificates of participation, trust certificates, voting trust certificates or similar instruments;
- (f) Proprietary or non-proprietary membership certificates in corporations; and
- (g) Other instruments as may in the future be determined by the Commission. “

An *investment contract* on the other hand, is defined under *SRC Rule 26.3.5 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code (2015 SRC IRR)*, as follows:

“An **investment contract** means 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.

A common enterprise is deemed created when two (2) or more investors “pool” their resources, creating a common enterprise, even if the promoter receives nothing more than a broker's commission.”

Further, the elements of an investment contract were enumerated in the case of *Power Homes Unlimited Corporation vs. SEC* which traces its roots from the US case of *SEC vs. Howey Co.* and was later modified in the case of *SEC vs. Glenn W. Turner Enterprises, Inc.* as follows:

- A contract, transaction or scheme
- An investment of money
- A common enterprise
- Expectation of profits
- Profits arises primarily from the entrepreneurial and managerial efforts of others.

Section 8, in relation to *Section 12* of the SRC provides, that:

“**SEC. 8. Requirement of Registration of Securities.** – 8.1. **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. Prior to such sale, information on the securities, in such form and with such substance as the Commission may prescribe, shall be made available to each prospective purchaser.

“SEC. 12. Procedure for Registration of Securities. - 12.1. All securities required to be registered under Subsection 8.1 shall be registered through the filing by the issuer in the main office of the Commission, of a sworn registration statement with respect to such securities, in such form and containing such information and documents as the Commission shall prescribe. The registration statement shall include any prospectus required or permitted to be delivered under Subsections 8.2, 8.3 and 8.4.”

Securities, such as investment contracts, as defined by the SRC in relation to *SRC Rule 26.3.5 of the 2015 SRC IRR*, must be registered before the same can be ***sold or offered*** or distributed to the public. Hence, as a form of security, investment contracts must be registered under Section 8 of the SRC before they can be sold or offered to the public.

Rule 3.1.17 of the 2015 SRC IRR defined ***Public Offering*** as “any offering of securities to the public or to anyone, whether solicited or unsolicited. Any solicitation or presentation of securities for sale through any of the following modes shall be presumed to be a public offering:

“3.1.17.1 Publication in any newspaper, magazine or printed reading material which is distributed within the Philippines or any part thereof;

3.1.17.2 Presentation in any public or commercial place;

3.1.17.3 ***Advertisement or announcement*** on radio, television, telephone, ***electronic communications, information communication technology or any other forms of communication***; or

3.1.17.4 Distribution and/or making available flyers, brochures or any offering material in a public or commercial place, or to prospective purchasers through the postal system, ***information communication technology and other means of information distribution.***” (Emphasis supplied)

On the other hand, a “*Broker*” is defined under Section 3.3. of the SRC, as a person engaged in the business of buying and selling securities for the account of others while “*Salesman*” is defined under 3.13 of the SRC as a natural person, employed as such or as an agent, by a dealer, issuer or broker to buy and sell securities.

Consequently, Section 28 of the SRC provides that:

“SEC. 28. ***Registration of Brokers, Dealers, Salesman and Associated Persons.*** – 28.1. No person shall engage in the business of buying or selling securities in the Philippines 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.

Thus, any person, without proper license from the Commission who acts as brokers, dealers or agents of a company selling or convincing people to invest in the investment scheme including solicitations or recruitment through the internet may likewise be prosecuted and held criminally liable under Section 28 of the SRC and penalized with a maximum fine of Five Million pesos (P5,000,000.00) or penalty of Twenty-One (21) years imprisonment or both pursuant to Section 73 of the SRC.

In this particular case, the Department carefully examined the characteristics of the investments offered by **INFINITY8NETWORKS DIGITAL SERVICES OPC** to determine if they satisfy the elements of an investment contract. In our evaluation, indeed, the elements of investment contracts are manifested in the investments being offered by **INFINITY8NETWORKS DIGITAL SERVICES OPC** as follows:

- First, there was an **investment of money** by the public in the investment scheme of **INFINITY8NETWORKS DIGITAL SERVICES OPC** who were enticed to invest in their scheme;
- Second, there was a **common enterprise** in the sense that the investors monies were pooled in respondent **INFINITY8NETWORKS DIGITAL SERVICES OPC** alleged profit-making venture;
- Third, there was clearly an **expectation of profits** on the part of its investors who were promised that their money would earn 30%, 200% and 500% depending on their chosen lock-in period plan; and
- Lastly, the expectation of profits is **derived primarily from the efforts of others. Here the investors had no hand in the management of INFINITY8NETWORKS DIGITAL SERVICES OPC and earned profits by merely investing in said entity.**

It is important to emphasize that as a juridical person, **INFINITY8NETWORKS DIGITAL SERVICES OPC** is only allowed to exercise powers inherent to its existence as provided in the Revised Corporation Code of the Philippines and those conferred in its Articles of Incorporation. (AOI). In other words, what a corporation can do is necessarily circumscribed by its primary purpose clause in its AOI.

The Certificate of Incorporation of **INFINITY8NETWORKS DIGITAL SERVICES OPC** clearly and explicitly state, among others, that:

“This Certificate grants juridical personality to this corporation but **DOES NOT AUTHORIZE it:**

- A. To issue, sell or offer for sale to the public, securities such** as but not limited to, shares of stock, **investment contracts**, debt instruments and virtual currencies without prior Registration Statement by this Commission;
- B. To undertake business activities such as, but not limited to** acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, closed-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing/lending company, and time shares/club shares/membership certificate issuers or selling agents thereof; nor to operate a fiat money to virtual currency exchange **nor engage in investment solicitation and investment taking requiring a Secondary License from this Commission.**

Nonetheless, the purpose stated in the Articles of Incorporation need not set out with particularity the multitude of activities in which the corporation may engage. The effect of broad purposes or objects is to confer wide discretionary authority upon the partners or management of the partnership as to the kinds of business in which it may engage. However, ***dealings which are entirely irrelevant*** to the purposes are unauthorized and called ***ultra vires***. The purpose clause of the articles of incorporation indicates the extent as well as the limitations of the powers which a corporation may exercise.

In fact, the purpose of **INFINITY8NETWORKS DIGITAL SERVICES OPC** as provided in its Articles of Incorporation ***prohibited it to operate an investment-taking scheme***, as follows:

“To operate, manage, and engage in the business of data processing, web hosting and related activities by providing infrastructure for these activities as well as provision of search facilities and other portals activities for the internet.

Provided that the corporation shall not solicit, accept or take investments/placements from the public neither shall it issue investment contracts.

Section 44 of the Revised Corporation Code of the Philippines, provides:

“SEC. 44. Ultra Vires Acts of Corporations. — No corporation shall possess or exercise corporate powers other than those conferred by this Code or by its articles of incorporation and except as necessary or incidental to the exercise of the powers conferred.”

In an opinion¹, the Commission pronounced that:

“It is the corporation’s primary purpose clause which confers, as well as limits, the powers which a corporation may exercise and the character of a corporation is usually determined by the objects of its formation and the nature of its business as stated in the articles. The primary purpose of the corporation, as stated in its articles of incorporation, is the first business to be undertaken by the corporation. Hence, the primary purpose determines its classification.”

The act of **INFINITY8NETWORKS DIGITAL SERVICES OPC** through its affiliates in allowing certain persons acting as their agents or representatives to make public presentations of their investment scheme, inviting the public to invest in the companies through social media renders them liable for the unauthorized public offering of securities and the misrepresentation committed in connection with such public offering.

Likewise, the investment scheme of respondent **INFINITY8NETWORKS DIGITAL SERVICES OPC** of promising a guaranteed return of 30% after 5 days, 500% after 40 days and 200% after 20 days has the characteristics of a Ponzi scheme. A **Ponzi scheme** is an investment

¹ SEC-OGC Opinion No. 11-33 dated 29 July 2011 addressed to Mr. Jesus B. Lapuz.

program that offers impossibly high returns and pays these returns to early investors out of the capital contributed by later investors. Named after Charles Ponzi who promoted the scheme in the 1920s, the original scheme involved the issuance of bonds² which offered 50% interest in 45 days or a 100% profit if held for 90 days. Basically, Ponzi used the money he received from later investors to pay extravagant rates of return to early investors, thereby inducing more investors to place their money with him in the false hope of realizing this same extravagant rate of return themselves. Such scheme is prohibited under Section 26 of the SRC:

“SEC. 26. Fraudulent Transactions. – It shall be unlawful for any person, directly or indirectly, in connection with the purchase or sale any securities to:

26.1. Employ any device, scheme, or artifice to defraud;

26.2. Obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statement made, in the light of the circumstances under which they were made, not misleading; or

26.3. Engage in any act, transaction, practice or course of business which operates or would operate as a fraud or deceit upon any person.”

In the case of *People of the Philippines vs. Palmy Tibayan and Rico Z. Puerto* (G.R. Nos. 209655-60, 14 January 2015), the Supreme Court held that:

“To be sure, a Ponzi scheme is a type of investment fraud that involves the payment of purported returns to existing investors from funds contributed by new investors. **Its organizers often solicit new investors by promising to invest funds in opportunities claimed to generate high returns with little or no risk.** In many Ponzi schemes, the **perpetrators focus on attracting new money to make promised payments to earlier-stage investors to create the false appearance that investors are profiting from a legitimate business.** It is not an investment strategy but a gullibility scheme, which works only as long as there is an ever increasing number of new investors joining the scheme. It is difficult to sustain the scheme over a long period of time because the operator needs an ever larger pool of later investors to continue paying the promised profits to early investors. The idea behind this type of swindle is that the “con-man” collects his money from his second or third round of investors and then absconds before anyone else shows up to collect. Necessarily, Ponzi schemes only last weeks, or months at the most.” (Underscoring added for emphasis)

The offering and selling of securities in the form of investment contracts using a “**Ponzi Scheme**” which is fraudulent and unsustainable, is **NOT** a registrable security. The Commission will not issue a License to Sell Securities to the Public to persons or entities that are engaged in this business or scheme.

The investment scheme of **INFINITY8NETWORKS DIGITAL SERVICES OPC** also operates to defraud investors as it deceives the investing public by making it appear that they have the authority to deal in securities. This also amounts to serious misrepresentation as to what they can do or are doing to the damage and prejudice of the investing public.

² Actually, postal reply coupons

As held in the case of *SEC vs. CJH Development Corporation, (G.R. No. 210316, 28 November 2016*³, the Supreme Court ruled that *the sale and/or offer of securities without the requisite license, necessarily operates as a fraud on investors*, thus:

“The act of selling unregistered securities would necessarily operate as a fraud on investors as it deceives the investing public by making it appear that respondents have authority to deal on such securities. Section 8.1 of the SRC clearly states 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 and that prior to such sale, information on the securities, in such form and with such substance as the SEC may prescribe, shall be made available to each prospective buyer.” (Emphasis ours)

Further, the **Financial Products and Services Consumer Protection Act (FCPA)** specifically provides that any form of deceptive solicitation such as offering or selling of investment scheme from the public without a secondary license or permit from the Commission constitute investment fraud and is an unlawful activity in violation of Section 11 of the said Act.

Under Section 6 of Presidential Decree 902-A, the Commission has the power to suspend, or revoke, after proper notice and hearing, the franchise or certificate of registration of corporations, partnerships and associations, on the ground of serious misrepresentation as to what the corporation can do or is doing to the great prejudice of or damage to the general public. Likewise, Section 5.1 (m) of the SRC and Section 179 (j) of the Revised Corporation Code of the Philippines (RCCP) empower the Commission to revoke the franchise or Certificate of Incorporation/registration of corporations registered with it.

The 2016 Rules of Procedure of the SEC provides that the EIPD shall exercise authority over persons and entities, whether under the primary authority of other Operating Departments, involved in the following:

xxx “1. Investigations and administrative actions involving the following:

- xxx c) Selling, offering or transacting unregistered securities by entities without secondary license;
 - d) *Ultra Vires* acts committed in violation of the Revised Corporation Code;
2. Petitions for revocation⁴ of corporate registration in all cases, except those which fall under the original authority of CRMD;
 3. Administrative actions for fraudulent transactions involving securities;

³ SEC vs. CJH Development Corporation, (G.R. No. 210316, 28 November 2016)

⁴ Revocation refers to involuntary dissolution of corporate registration pursuant to Section 138 of the Revised Corporation Code.

4. Administrative actions for all other violations under PD 902-A, except those cases which fall under the original authority of other Operating Departments;
5. All other matters involving investor protection filed by the public, referred by self-regulatory organizations, or referred by other Operating Departments after initial evaluation or findings that there is a possible violation of laws, rules or regulations that the Commission implements but do not fall under their respective original authority.”

Further, in SEC Admin Case No. 11-10-124 entitled *In re: PHILBIO Renewable Energy Resources Corp.*, promulgated on 27 April 2016, the Commission provided what constitutes serious misrepresentation, to wit:

*“From the foregoing, it is indubitable that PHILBIO misrepresented itself to the public that it can solicit investments despite the fact that it is **not one of the purposes of the corporation**. Worse, it **does not have a license to offer/sell securities**. PHILBIO operates an investment-taking scheme which is therefore considered an **ultra vires act**. These constitute serious misrepresentation as to what the corporation can do or doing to the great prejudice to the general public.”*

Considering that nowhere is it stated in the primary purpose **INFINITY8NETWORKS DIGITAL SERVICES OPC** that it is authorized to engage in the selling or offering for sale of securities to the public, compounded by the fact that it does not have the required Secondary License from the Commission to offer or sell securities to the public, its activity of selling or offering to the public securities or investment contracts is considered an *ultra vires act* and therefore constitutes serious misrepresentation as to what the corporation can do to the great prejudice or damage to the general public which is a ground for the revocation of a corporation’s primary franchise or certificate of registration/ incorporation under PD 902-A.

Further, Section 54 of the Securities Regulation Code provides:

SEC 54. Administrative Sanctions. – 54.1. If, after due notice and hearing, the Commission finds that: (1) There is a violation of this Code, its rules, or its orders; xxx it shall, in its discretion, impose any or all of the following sanctions as may be appropriate in the light of the facts and circumstances:

xxx.

(ii) A fine of no less than Ten thousand pesos (P10,000.00) nor more than One million pesos (P1,000,000.00) plus not more than Two thousand pesos (P2,000.00) for each day of continuing violation;

xxx.”

Applying the foregoing, a fine of ONE MILLION PESOS (**P1,000,000.00**) is imposed on **INFINITY8NETWORKS DIGITAL SERVICES OPC**, for offering securities to the public without prior registration and license from the Commission.

WHEREFORE, for violation of Section 44 of the Revised Corporation Code of the Philippines (R.A. No. 11232) in relation to Sections 8.1, 26 and 28.1 of the Securities Regulation Code and Section 6 (i)(2) of P.D. 902-A, the Certificate of Incorporation/registration of **INFINITY8NETWORKS DIGITAL SERVICES OPC** as a corporation is hereby **REVOKED**.

INFINITY8NETWORKS DIGITAL SERVICES OPC and its incorporator and nominees are directed to pay a fine of **One Million Pesos (P1,000,000.00)** pursuant to Section 54.1 (ii) of the SRC within a period of Fifteen (15) days from receipt of this Order.

Accordingly, let this Order be attached by the Corporate Filing and Records Division of the Company Registration and Monitoring Department (CRMD) to the records of the corporation on file with the Commission. Further, the Information and Communications Technology Department (ICTD) of this Commission is likewise requested to enter the "*revoked*" status of Subject Corporation in the online database of the Commission.

SO ORDERED.

Makati City, 18 December 2023.


OLIVER O. LEONARDO
Director