Republic of the Philippines
Department of Finance
Securities and Exchange Commission
COMMISSION EN BANC

IN THE MATTER OF:

SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING

SEC CDO Case No. 11-22-097
Promulgated: 17 November 2022

ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT (EIPD),

Movant.

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CEASE AND DESIST ORDER

This resolves the *Motion for Issuance of a Cease and Desist Order*[1] (the "Motion") filed by the Enforcement and Investor Protection Department (EIPD) praying that an order be issued (a) directing **SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING**, together with **RYAN CAGOD LADOING** (Incorporator, Director, Treasurer and DTI registered owner and agent), **RENAN CAGOD LADOING** (incorporator and director) and all persons, conduit entities and subsidiaries claiming and acting for and in its behalf, directing it to immediately **CEASE AND DESIST** from further engaging in the sale and/or offer of securities in the form of investment contracts, as it does not have the license to solicit, accept or take investments, and the securities that it is selling/offering are not registered with the Securities and Exchange Commission (the "Commission"); and (b) prohibiting directing **SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING**, its directors, officers, operators, representatives, salesmen, agents and any and all persons, conduit entities and subsidiaries claiming and acting for and in its behalf, from selling, encumbering, conveying, or disposing any of its properties and/or assets without the prior written authority from the Commission.

[1] Filed on 7 February 2022.

THE PARTIES

The EIPD is one of the Commission's operating departments tasked, among others, to investigate, institute, and prosecute administrative actions against persons and entities engaged in the sale and/or offer of unregistered securities without the requisite license issued by the Commission.[2]

SILVERLION LIVESTOCK TRADING CORP. is a corporation duly organized and existing under Philippines laws, having been issued a Certificate of Incorporation bearing Company Reg. No. 2022090070184-02 on 29 September 2022. Its principal address is at the Ground Floor Door 1, 2 Green Valley National Highway Greenvalley Manicahan, Zamboanga City, Zamboanga Del Sur, Region IX (Zamboanga Peninsula), 7000.

SILVERLION LIVESTOCK TRADING on the other hand is an entity that is not registered with the Commission.

The incorporators, stockholders and first directors of SILVERLION LIVESTOCK TRADING CORP. are RYAN CAGOD LADOING and RENAN LARA LADOING.

RELEVANT FACTS

On 11 October 2022, the Zamboanga Extension Office received from NBI-WEMRO a Letter of even date requesting a Certification on the registration of SILVERLION LIVESTOCK TRADING CORP.[3]

In the leaflet which was attached to the Letter sent by the NBI-WEMRO, it appears that SILVERLION LIVESTOCK TRADING CORP. is selling/offering securities to the public with an investment amount ranging from as low as PHP 5,000 to as high as PHP 100,000, with earnings as much as 2.3% daily, accumulating to 35% earnings in just 15 days. Further, SILVERLION LIVESTOCK TRADING CORP. offers a special promo where an investor locks in PHP 400,000 for 60 days, the investor shall receive a Ford Raptor or any car of his/her choice, fully paid for by the company, and the investor's name is reflected in the Official Receipt and Certificate of Registration.

On the basis of the foregoing information, the Zamboanga Extension Office of the Commission conducted an investigation *motu proprio* on SILVERLION LIVESTOCK TRADING CORP. / SILVERLION

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[2] Section 2-2(c)(1-c), Rule II, Part I of the 2016 SEC Rules.
[3] See Annexes "C" and "C-1" of the Motion

LIVESTOCK TRADING and its operations conducted at its main office in Barangay Manicahan, and its two (2) branch offices in Barangay Tumaga and in Guiwan-Tetuan Road, Zamboanga City, and issued an Investigation Report.[4]

The EIPD thereafter commenced the conduct of a formal investigation on the operations of SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING to determine if it is violating the Securities Regulation Code ("SRC") and its implementing rules and regulations after the matter was endorsed to it by the Zamboanga Extension Office. As part of its investigation, the EIPD looked into and examined the website and social media platforms used by SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING where it was able to verify and confirm that these entities are indeed operating and conducting unauthorized investment-taking activities online. In this regard, the EIPD was able to gather and submit in evidence the promotional materials, testimonials, and video presentations which SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING and its member-investors uploaded/posted and used to market its investment packages. To entice the public to invest and purchase its investment packages, SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING included in the promotional materials and video presentations the amount of investment required, the guaranteed returns, and other bonuses.[5]

The evidence gathered by the investigating team reveals that SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING represents to the public that it is engaged in the business of selling/distributing processed meats, beauty products, and other products in demand in the market[6] and the profits generated from its operations are used to pay the return of investment of its investors. It is on this premise that SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING offers/sell the following investment packages to the public with the corresponding guaranteed returns receivable in fifteen (15) days:

- PhP1,000.00 investment earns PhP 1,300.00
- PhP10,000.00 investment earns PhP PhP 13,000.00
- PhP100,000.00 investment earns PhP130,000.00

[4] See Annex "D" of the Motion
[5] See Annex "D" of the Motion
[6] *Ibid*

From the foregoing, it appears that SILVERLION LIVESTOCK TRADING CORP. is selling/offering securities to the public with guaranteed earnings of 35% in just fifteen (15) days, or 2.3% daily. Further, the evidence presented by the EIPD also shows SILVERLION LIVESTOCK TRADING CORP. offers a special package to investors who park their investment of PHP400,000.00 within a period of sixty (60) days, with a Ford Raptor or any car of his/her choice fully paid by the corporation.

Relative to the allegation that SILVERLION LIVESTOCK TRADING CORP. is engaged in investment-taking activities, the EIPD requested from the Commission's Company Registration and Monitoring Department (CRMD), the Corporate Governance and Finance Department (CGFD) and the Markets and Securities Regulation Department (MSRD) for information or verification on the authority of SILVERLION LIVESTOCK TRADING CORP. to offer/sell securities to the public, if any. In response to the said request, the CRMD, CGFD, and MSRD issued Certifications[7] which confirmed that while SILVERLION LIVESTOCK TRADING CORP. is a registered corporation, it has not been issued any secondary license to operate as a broker/dealer of securities, and is not a registered issuer of any securities pursuant to Sections 8 and 12 of the SRC.

ISSUE

Whether the issuance of a cease and desist order against SILVERLION LIVESTOCK TRADING CORP. is warranted based on the findings and evidence presented by the EIPD.

RULING

The Commission finds the *Motion* meritorious.

At the outset, the Commission notes that the primary purpose of SILVERLION LIVESTOCK TRADING CORP. as stated in its Articles of Incorporation, specifically provides that it has no authority to solicit or accept investments from the public *to wit*:

> "Wholesale and retail of frozen product, meats, dried fish;
>
> **Provided that the corporation shall not solicit, accept or take investments/placements from the public neither shall it issue investment contracts**." (Emphasis supplied)

[7] Annex "G", Annex "H" and Annex "I" of the Motion.

After carefully considering the Motion which was supported by substantial evidence, the Commission holds that the EIPD was able to establish that SILVERLION LIVESTOCK TRADING CORP. is selling and/or offering unregistered securities in the form of investment contracts to the public without the requisite license from the Commission, in violation not only of its AoI but also of the relevant provisions of the SRC and its IRR.

Relative thereto, Section 3 of the SRC defines "securities" as follows:

> "SEC. 3. Definition of Terms. –
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> 3.1. "**Securities**" are **shares, participation or interests** 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**:
>
> x x x
>
> (b) **Investment contracts**, certificates of interest or participation in a profit sharing agreement, certificates of deposit for a future subscription;" (Emphasis supplied)

Moreover, an "investment contract" is defined in the 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**. An investment contract is presumed to exist whenever a person seeks to use the money or property of others on the promise of profits.
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> **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."[8] (Emphasis supplied)

Section 8.1 of the SRC categorically provides that securities cannot be sold or offered for sale within the Philippines if the same are not registered with the Commission in the form of an approved Registration

[8] Rule 26.3.5 of the Implementing Rules and Regulations of the SRC.

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Statement and a Permit to Offer/Sell issued in favor of the applicant, to wit:

> *"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 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."* (Emphasis and underscoring supplied)

In the case of *Power Homes Unlimited v. Securities and Exchange Commission,*[9] the Supreme Court ruled that investment contracts are securities that are required to be registered with the Commission for the protection of the investing public, to wit:

> "**As an investment contract that is security under R.A. No. 8799, it must be registered with public respondent SEC, otherwise the SEC cannot protect the investing public from fraudulent securities.** The strict regulation of securities is founded on the premise that the capital markets depend on the investing public's level of confidence in the system." (Emphasis supplied)

The concept of an investment contract in the Philippines is of American origin. It traces its roots from the US Supreme Court case *Securities and Exchange Commission v. W.J. Howey Co.*[10] where the Court stated that an investment contract is a transaction, contract, or scheme whereby a person (1) makes an investment of money, (2) in a common enterprise, (3) with the expectation of profits, (4) to be derived solely from the efforts of others. Investment contracts have been used and adopted in various situations where individuals were led to invest money in a common enterprise with the expectation that they would earn a profit through the efforts of the promoter or of someone other than themselves.[11]

The concept of an investment contract was thereafter adopted and used in *Power Homes Unlimited Corporation v. Securities and Exchange*

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[9] Note 24, *Supra.*
[10] 328 U.S. 293, 66 S. Ct. 1100, 90 L. Ed. 1244, 163 A.L.R. 1043 (1946).
[11] *Ibid.* Although the definition as stated in the Howey Case qualified that the earning of profit was expected to be solely through the efforts of another party, Rule 26.3 of the 2015 IRR of the SRC replaced the qualifier with *"primarily"*, acknowledging that an investment contract may still be present where the individual who placed the money exerted a small amount of effort in an attempt to earn the profits.

Commission,[12] where the Supreme Court ruled that an investment contract in our jurisdiction, to be a security subject to regulation by the Commission, must be proved to be *(1) an investment of money; (2) in a common enterprise; (3) with the expectation of profits, (4) primarily from efforts of others.* Under this definition, whenever an investor relinquishes control over his or her funds and submits their control to another for the purpose of deriving profits from them, he or she is in fact investing in a security.[13]

Applying the foregoing to the instant case, this Commission finds, and so holds, that SILVERLION LIVESTOCK TRADING CORP. is unlawfully engaged in the sale and/or offer of unregistered securities in the form of investment contract because it has no license to carry out the same.

> **First**, SILVERLION LIVESTOCK TRADING CORP. required its investors to invest the required amounts of PhP1,000.00, PhP10,000.00, and PhP1000,000.00. In this case, the actual investment of money was substantiated by the complaints received by the EIPD which showed that member investors were claiming the guaranteed returns for the investments that they paid for.
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> **Second**, The EIPD was able to show that the investment scheme of SILVERLION LIVESTOCK TRADING CORP. involves the pooling of the resources consisting of the moneys of its investors which are actually utilized to satisfy and pay the guaranteed returns of its existing investors. This is the common enterprise that is being sustained by the investments received by SILVERLION LIVESTOCK TRADING CORP. from the public, although the same is masked by a product distribution business which, in reality, does not exist.
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> **Third**, SILVERLION LIVESTOCK TRADING CORP.'s investors expect to receive a guaranteed monthly return in an amount equivalent to 35% within a period of fifteen (15) days.
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> **Finally**, SILVERLION LIVESTOCK TRADING CORP.'s investors need not do anything except entrust their money to the former, whose directors, officers, agents, and promoters operate the business and give them their guaranteed return.

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[12] G.R. No. 164182, 26 February 2008.
[13] Investment Co. Institute v. Camp, 274 F. Supp. 624 (D. D.C. 1967).

Moreover, the evidence presented by the EIPD also shows that SILVERLION LIVESTOCK TRADING CORP.'s investment scheme involves the public offering of securities in the form of investment contracts considering that its business operations are being published online through social media platforms.

Section 8.1 of the SRC also specifically proscribes the offering of securities within the Philippines without a Registration Statement duly filed with and approved by the Commission, to wit:

> *"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 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."* (Emphasis and underscoring supplied)

Relative thereto, Rule 3.1.17 of the 2015 Implementing Rules and Regulations of the SRC defines "Public Offering" as follows:

> "3.1.17. **Public offering is 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:
>
> x x x
>
> 3.1.17.3 Advertisement or announcement in radio, television, telephone, **electronic communications, information communication technology or any other forms of communication**;"[14] (Emphasis supplied)

In the instant case, the evidence on record shows that SILVERLION LIVESTOCK TRADING CORP. is offering unregistered securities in the form of investment contracts to the investing public through its website and social media platforms, i.e., Facebook and YouTube, without the requisite license.

The foregoing constitutes a public offering as defined under SRC Rule 3.1.17 and thus, requires a registration statement duly approved by the Commission before the same can be lawfully undertaken. Considering that SILVERLION LIVESTOCK TRADING CORP. has not secured a license from the Commission, its act of offering securities to the public thus

[14] Rule 3.1.17 of the Implementing Rules and Regulations of the SRC.

constitutes a clear violation of Section 8 of the SRC in relation to Rule 3.1.17 of the SRC IRR.

Relative to a valid issuance of a CDO, Section 64 of the SRC provides, thus:

> "Section 64. *Cease and Desist Order.* — 64.1. *The Commission,* after proper investigation or verification, *motu proprio* or upon verified complaint by any aggrieved party, **may issue a cease and desist order without the necessity of a prior hearing if in its judgment the act or practice, unless restrained, will operate as a fraud on investors or is otherwise likely to cause grave or irreparable injury or prejudice to the investing public.**" (Emphasis supplied)

Under the afore-quoted provision, there are two (2) essential requisites that must be complied with for a cease and desist order can be validly issued:

1) There must be a conduct of a proper investigation or verification; and

2) There must be a finding that the act or practice, unless restrained, will operate as a fraud on investors or is otherwise likely to cause grave or irreparable injury or prejudice to the investing public.[15]

Anent the first requisite, the records disclose that the EIPD conducted a proper investigation as evidenced by the various documents gathered and submitted in support of its Motion showing the unauthorized investment-taking activities of SILVERLION LIVESTOCK TRADING CORP.

The second requisite is likewise present considering that SILVERLION LIVESTOCK TRADING CORP. employed fraud when its directors, officers, agents, representatives, and promoters made it appear to the public that it is investment plans are registered with the Commission and that it is authorized to sell, offer and deal with securities.

In *People of the Philippines vs. Mateo, et al.*[16], the Supreme Court held that fraud is a generic term that covers any act calculated to deceive, thus:

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[15] Securities and Exchange Commission vs. Performance Foreign Exchange Corporation, G.R. No. 154131, July 20, 2006.
[16] G.R. No. 210612, October 9, 2017.

"**Fraud**, in its general sense, **is deemed to comprise anything calculated to deceive**, including all acts, omissions, and concealment involving a breach of legal or equitable duty, trust, or confidence justly reposed, resulting in damage to another, or **by which an undue and unconscientious advantage is taken of another. It is a generic term embracing all multifarious means which human ingenuity can devise, and which are resorted to by one individual to secure an advantage over another by false suggestions or by suppression of truth** and includes all surprise, trick, cunning, dissembling and any unfair way by which another is cheated. On the other hand, **deceit is the false representation of a matter of fact**, whether by words or conduct, **by false or misleading allegations**, or by concealment of that which should have been disclosed **which deceives or is intended to deceive another so that he shall act upon it to his legal injury.**" (Emphasis supplied)

Moreover, this Commission holds that the act of SILVERLION LIVESTOCK TRADING CORP. in selling/offering unregistered securities operates as a fraud to the public which, if unrestrained, will likely cause grave or irreparable injury or prejudice to the investing public.[17] This finds support in the case of *Securities and Exchange Commission vs. CJH Development Corp.*[18] where the Supreme Court emphasized the need for a prompt issuance of a CDO after a finding of a violation of the SRC that will likely defraud or cause grave or irreparable injury to the investing public, thus:

"**The law is clear on the point that a cease and desist order may be issued by the SEC *motu proprio***, it being unnecessary that it results from a verified complaint from an aggrieved party. **A prior hearing is also not required whenever the Commission finds it appropriate to issue a cease and desist order that aims to curtail fraud or grave or irreparable injury to investors. There is good reason for this provision, as any delay in the restraint of acts that yield such results can only generate further injury to the public that the SEC is obliged to protect.**

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 supplied)

[17] Section 64 of the Securities Regulation Code.
[18] (G.R. No. 210316, November 28, 2016)

WHEREFORE, premises considered, **SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING**, together with **RYAN CAGOD LADOING** (Incorporator, Director, Treasurer, and DTI registered owner and agent), **RENAN CAGOD LADOING** (incorporator and director) and all persons, conduit entities and subsidiaries claiming and acting for and in its behalf, are hereby ordered to **IMMEDIATELY CEASE AND DESIST** from engaging in the unlawful/unauthorized solicitation, offer and/or sale of securities in the form of investment contracts or any others of the same nature, as discussed in this *Cease and Desist Order* until the requisite registration statement is duly filed with and approved by the Commission.

Further, **SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING**, together with **RYAN CAGOD LADOING** (Incorporator, Director, Treasurer, and DTI registered owner and agent), **RENAN CAGOD LADOING** (incorporator and director) and all persons, conduit entities and subsidiaries claiming and acting for and, in its behalf, are likewise directed to **CEASE** their internet presence relating to the transactions and investment scheme covered by this *Cease and Desist Order.* The Commission will institute the appropriate administrative and criminal action against any persons or entities found to act as solicitors, information providers, salesmen, agents, brokers, dealers, or the like for and on their behalf

Finally, the Commission hereby **PROHIBITS SILVERLION LIVESTOCK TRADING CORP. / SILVERLION LIVESTOCK TRADING**, together with **RYAN CAGOD LADOING** (Incorporator, Director, Treasurer, and DTI registered owner and agent), **RENAN CAGOD LADOING** (incorporator and director) and all persons, conduit entities and subsidiaries claiming and acting for and in its behalf from transacting any business involving funds in its depository banks, and from transferring, disposing, or conveying in any manner, any and all assets, properties, real or personal, including bank deposits, if any, of which the named persons herein may have interest, claim or participation, whether directly or indirectly, under their custody, to ensure the preservation of the assets of the investors

The **EIPD** of the Commission is hereby **DIRECTED** to (a) serve a copy of this Order to **SILVERLION LIVESTOCK TRADING CORP., RYAN CAGOD LADOING** (Incorporator, Director, Treasurer, and DTI registered owner and agent), **RENAN CAGOD LADOING** (incorporator and director) and (b) cause the posting of this Order in the Commission's website.

The EIPD is **FURTHER DIRECTED** to submit a formal compliance report, by way of pleading, to the Commission *En Banc* WITHIN TEN (10) DAYS from receipt of this ***Cease and Desist Order***.

Let a copy of this Order be furnished to the Company Registration and Monitoring Department, Market and Securities Regulation Department, Corporate Governance and Finance Department and the Information and Communications Technology Department of this Commission, the Bangko Sentral ng Pilipinas, the Department of Trade and Industry, the National Privacy Commission and the Department of Information and Communications Technology for their information and appropriate action.

In accordance with the provisions of Section 64.3 of the SRC and Part II, Rule IV, Section 4-3 of the 2016 Rules of Procedure of the SEC, the Respondent may file a verified *Motion to Lift the CDO* to the Commission En Banc thru the Office of the General Counsel, within five (5) days from receipt of this Order.

FAIL NOT UNDER PENALTY OF LAW.

SO ORDERED.

Makati City, Philippines.

EMILIO B. AQUINO*
Chairperson

JAVEY PAUL D. FRANCISCO
Commissioner

KELVIN LESTER K. LEE*
Commissioner

KARLO S. BELLO
Commissioner

MCJILL BRYANT T. FERNANDEZ
Commissioner

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