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

IN THE MATTER OF:

ROYAL O' CONSULTANCY SERVICES OPC; ROYAL O' INTERNATIONAL IMPORT AND EXPORT OPC; OROMAGNET INTERNATIONAL E-GAMES OPC; PLASMATECH MEDICAL SUPPLIES TRADING; ROYAL O DRY GOODS TRADING; PRINCESS JOANA JO ALFAJID FOUNDATION; PRINCESS JOANA JO ALFAJID CAMPOS; GRETCHEN AGUAS; SCELNNA M. JIMENEZ; CHRISTOPHER "TOFFY" DIMAGUILA; CHRISTOPHER "ACE" TUNDAG; and HONEYLYN GRACE ISRAEL

SEC CDO CASE NO.
07-21-072

ENFORCEMENT AND INVESTOR PROTECTION DEPARTMENT,
Movant.

X-- x

C E A S E A N D D E S I S T O R D E R

Before the Commission is the ***Motion for Issuance of a Cease and Desist Order***[1] ("Motion") filed by the Enforcement and Investor Protection Department ("EIPD") with the Office of the General Counsel ("OGC")[2], praying that an Order be issued (a) directing **ROYAL O' CONSULTANCY SERVICES OPC; ROYAL O' INTERNATIONAL IMPORT AND EXPORT OPC; OROMAGNET INTERNATIONAL EGAMES OPC; PLASMATECH MEDICAL SUPPLIES TRADING; PRINCESS JOANA JO ALFAJID FOUNDATION**; their owner and CEO, **PRINCESS JOANA JO ALFAJID CAMPOS**, President, **GRETCHEN AGUAS**; representatives, salesmen, solicitors, agents, uplines, enablers and influencers, such as **SCELNNA M. JIMENEZ, CHRISTOPHER "TOFFY" DIMAGUILA, CHRISTOPHER "ACE" TUNDAG**, and **HONEYLYN GRACE ISRAEL** and any and all persons claiming and acting for and in their behalf, to immediately cease and desist from further engaging in the sale and/or offer of unregistered securities in the form of investment contracts as the

[1] Dated on 26 July 2021.
[2] In accordance with Part II, Rule IV, Section 4-1 of the 2016 Rules of Procedure of the SEC ("SEC Rules")

same are unauthorized for want of the requisite registration statement duly filed with and approved by the Commission, and (b) prohibiting the named entities and persons from transacting any and all businesses involving the funds in their depository banks, and from transferring, disposing, or conveying in any other manner, any and all assets, properties, real or personal, including bank deposits, if any, of which the named persons herein may have any interest, claim or participation whatsoever, whether directly or indirectly, under their custody, to immediately forestall grave damage and/or prejudice to all affected investors and to ensure the preservation of the assets for the benefit of the investors.

PARTIES

EIPD is one of the Commission's operating departments tasked, among others, to investigate and institute administrative actions against persons and entities engaged in the sale and/or offer of unregistered securities without requisite secondary license.[3]

ROYAL O' CONSULTANCY SERVICES OPC ("Royal O' Consultancy") is a one-person corporation ("OPC") registered with the Commission under Company Registration No. 2021010005460-01. Its principaloffice as stated in its Articles of Incorporation ("AoI") is located at U-3302A Tektite Building, Philippine Stock Exchange Centre, San Antonio, Pasig City. Its primary and secondary purposes, respectively, as stated in its AoI are:

> "To engage in the business of providing management consultancy services, technical advise to individuals, partnerships, corporations, associations and other entities for commercial, industrial or reorganization of business enterprises for both local and foreign organizations; conduct research, feasibility studies, survey internationally for purposes of identifying prospective opportunities and carry through all stages of development and other productive enterprises, ventures or projects and in the process provide information on the economic trends and market development, <u>except management of funds, securities, portfolios and other similar assets of the managed entities nor to act as investment advisor provided that the corporation shall not engage in any licensed practice of profession, nor shall engage in the management of funds, securities, portfolios and other similar assets of the managed entities nor to act as investment advisor.</u>

[3] Section 2-2(c)(1-c), Rule II, Part I of the 2016 Rules of Procedure of the Securities and Exchange Commission.

> Provided that the corporation shall not solicit, accept or take investments/placements from the public neither shall it issue investment contracts." (Underscoring supplied)

ROYAL O' INTERNATIONAL IMPORT AND EXPORT OPC ("Royal O' International") is also an OPC with Company Registration No. 2021010005106-10. It has the same principal office address as that of Royal Consultancy. Its primary and secondary purpose, respectively, as stated in its AoI are:

> "To engage in, conduct and carry on the business of buying, selling distributing, marketing at wholesale or retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description such as but not limited to consumer goods and equipment including its accessories and to provide after-sales repair and maintenance services thereof; to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturers representative, merchandise broker, indentor, commission merchant, factors or agents upon consignment of all kinds of goods, wares, merchandise or products whether natural or artificial."
>
> 1) To enter any lawful arrangement for sharing profits, union of interest, reciprocal concession or cooperation, association, partnership syndicate, entity, person or governmental, municipal or public authority domestic or
> foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purposes of the corporation.
>
> 2) To purchase, acquire, own, lease except financial leasing, sell and convey to the extend allowed by law, property of every kind and description as may be necessary or incidental to the conduct of its corporate business.;
>
> Provided that the corporation shall not solicit, accept or take investments/placements from the public neither shall it issue investment contracts." (Underscoring supplied)

Royal O' Consultancy and Royal O' International has each an authorized capital stock (ACS) of One Million Pesos (PHP1,000,000.00) divided into 10,000 shares with par value of PhP100.00/share.[4] The ACS of the corporations has been fully subscribed and paid.

[4] Article Seventh of its AoI

Royal O' Consultancy and Royal O' International (collectively referred to as "Royal O") also have the same officers, as follows:

Name	Position	Nationality	Address
Princess Joana Jo Alfajid Campos	Director, President, Stockholder	Filipino	15 Diamond Street, Concepcion Uno, Marikina City
Jessie Ladao	Nominee	Filipino	Blk. 2 Lot 10, Pook Bagong Pag-asa, Quezon City
Gretchen Aguas	Alternate Nominee	Filipino	36 B. Tuazon, Project 4, Bagumbayan, Quezon City

Oromagnet International E-Games OPC ("Oromagnet") is also an OPC registered under Company Registration No. 2020100002972-12. Its principal place of business as stated in its AoI is at 39 Pinagkaisahan Cubao, Chicago Street, Quezon City, Nagkaisang Nayon, Quezon City. Its primary purpose as stated in its AoI is:

> "To operate legal online betting games dedicated for offshore clients to assist government generate revenue.;
>
> <u>Provided that the corporation shall not solicit, accept or take investments/placements from the public neither shall it issue investment contracts</u>." (Underscoring supplied)

Oromagnet has an ACS of Fifteen Million Pesos (PHP 15,000,000.00) divided into five (5) shares with par value of PhP5,000,000.00/share. The ACS of the corporation has been fully subscribed, and Three Million Pesos (PHP 3,000,000.00) of which isfully paid. The city address reflected in its AoI is Quezon City.

Oromagnet's officers per its AoI are, as follows:

Name	Position	Nationality	Address
Princess Joana Jo Alfajid Campos	Director, President, Stockholder	Filipino	98 Floor. RD3 cor. Rd1 Project 6, Quezon City
Joyce P. Untalan	Nominee	Filipino	9138 15th Street, Sto. Niño, Parañaque City
Gretchen Aguas	Alternate Nominiee	Filipino	28 Mabini Street, Santo Niño (Pob). Lumban, Laguna

Plasmatech Medical Supplies Trading ("Plasmatech") is a DTI-registered entity with Certificate No./BNN 1864944 registered under the name of Respondent Campos.

Royal O Dry Goods Trading ("Royal Dry Goods") is a DTI-registered entity with Certificate Nos./BNN Nos. 2391576 and 2316918, operating within the City of Bacolod.

Princess Joana Jo Alfafajid Campos Foundation ("Campos Foundation") is an unregistered foundation based in Geneva, Switzerland allegedly established in 2017.

Scelnna M. Jimenez ("Respondent Jimenez") is one of the members, influencers, agents of Royal O'; Christopher "Toffy" Dimaguila ("Respondent Dimaguila") is one of the leaders and also an offeror who explained the schemes of Royal O' through Zoom; Christopher "Ace" Tundag ("Respondent Tundag") is one of the agents of Royal O' who hosted the Zoom Activity; and Honeylyn Grace Israel ("Respondent Israel") is the administrator of the Group Chat of *Team Malacash*.

RELEVANT FACTS

The EIPD received various emails[5] inquiring on the legality of the businesses and investments schemes of Royal O and its affiliate companies which prompted it to commence investigation for possible violation(s) of the Securities Regulation Code (SRC), and its 2015 Implementing Rules and Regulations.

In the course of its investigation, the EIPD gathered all relevant public information available in Facebook and YouTube. The information gathered by the EIPD showed that Royal O started offering and selling securities covered by its investing scheme through its predecessor, Royal O' Financial Consultancy Services, an entity registered with the Department of Trade and Industry ("DTI"), as follows:

1. P5K to P499K entry
   3-day cooling period
   90 days/3 months contract
   With Memorandum of Agreement MOA
   5K turn P10,050 in 67 days P150 daily
   3% daily return
   201% ROI in 67 days
   Weekly payout 15%

[5] Par. 3 of the Motion

Friday request, Tuesday release

2. P500K to P10M entry
   7-day cooling period
   6 months contract
   60% per month
   360% in 6 months contract
   With PDC and MOA

In addition, member-investors were also informed that they can earn more by recruiting/referring other people to invest in Royal O' Consultancy. Under Royal O's referral scheme called Power of 5, a member gets to earn an additional 6% for direct referrals and downlines. The referral program is described as follows: "6% Direct Referral Bonus; 3% Level 2 Bonus; 2% Level 3 Bonus; 1% Level 4 Bonus; 1% Level 5 Bonus; and 0.5% Level 6 through level 10."[6]

Thus, if a member gets to have five (5) direct referrals and these five (5) referrals recruited five (5) more and so on, the member will have an expected earning based on the following:[7]

Power of 5 Projected Income 5K Entry				
Level	**Percentage**	**Amount**	**No. of Entry**	**Income**
1	6	300	5	1,500
2	3	150	25	3,750
3	2	100	125	12,500
4	1	50	625	62,500
5	1	25	3125	156,250
6	0.5	25	15625	390,000
7	0.5	25	78125	1,953,125
8	0.5	25	390625	9,765,625
9	0.5	25	1953125	48,828,125
10	0.5	25	9765625	244,140,625
			Total	**305,314,000**

Royal O also publicly disclosed the bank accounts where investors can deposit their investments, to wit:

Account Name	Bank	Account Number
Royal O' Consultancy Services OPC (Bacolod)	Metrobank	0027002524143
Plasmatech Medical Supplies Trading	UnionBank	00-310-000121-5
	Security Bank	00000-3516-2666
	PNB	3106-7000-5488

[6] Annex "N" of the Motion.
[7] Annex "N" of the Motion.

Princess Joana Jo A. Campos	UnionBank	00-276-000828-4
	Veterans Bank	0001-5995-4110-0
Royal O Consultancy Services OPC	Security Bank	00000-3818-7972
Royal O' International Import and Export OPC	Security Bank	00000-3516-2655
	PNB	3106-7000-5499
Christopher Tundag	BPI	2176529473[8]
Royal O' Dry Goods Trading	China Bank	1672-0000-2352
iPhil Savings & Credit Cooperative	UCPB	2031-9000-7269

The EIPD alleged in its Motion that Royal O' Consultancy entices the public to invest by stating that the investment program is a "*co-ownership of funds to cater to various businesses involved with, among others, in operation of macro and micro businesses, trucking, importation and exportation of goods, etc.*"

The EIPD substantiated the allegations and findings relating to the unauthorized investment-taking activities of Royal O' and its affiliate entities by the numerous complaints that were filed with it, and which were submitted in support of the Motion. The Complaints submitted by the EIPD show that a considerable number of investors were enticed, and have actually parted with their hard earned money, on the basis of the guaranteed high return of their investments that were promised to them.[9]

The information gathered by the EIPD also disclosed that then Royal O' Financial Consultancy Services (Royal O Financial) was utilized by Oromagnet, an entity licensed by the Philippine Amusement and Gaming Corporation ("PAGCOR"), which showed that Royal O' Financial was listed as one of Oromagnet's affiliates and whose trading platform was being used by Royal O Financial.

On 25 January 2021, the EIPD team conducted an ocular inspection of the principal office address of Royal O Consultancy at Unit 3303-B Tektite Tower 1, Ortigas, and found that the said unit was not occupied by Royal O' Consultancy but by other business entities namely Construction & Development Corporation, Engineering Technical

[8] Page 26, Motion.
[9] Annexes "AM" and "AM-1" of the Motion

Services, Inc., Vast Colossal Development International Corporation, and V&C Master Builders Corporation. The EIPD also found that Oromagnet is not holding office or conducting business at 39 Pinagkaisahan Cubao, Chicago St., Quezon City, contrary to what is provided in its AoI that its principal office address is located therein.[10]

On 26 January 2021, the EIPD, through a formal letter, requested for confirmation from PAGCOR of Oromagnet's and/or Respondent Campos' license(s)/authority to operate and/or engage in the business of online betting games particularly *e-sabong* activities and casino operations. In a Letter[11] dated 12 April 2021 PAGCOR informed the EIPD that Oromagnet and Respondent Campos do not have any license, accreditation, nor any pending application to engage in online betting activities such as *e-sabong* and casino operations.

On 26 January 2021, members of the EIPD investigating team actually joined Royal O' Consultancy's zoom business presentation which was facilitated by one of its Team Malacash. The investigating team was able to confirm the conduct by Royal O' of the unauthorized investment scheme which involves the sale and/or offer of unregistered securities.[12]

On 28 January 2021, the EIPD inquired from the Administrative Office of the Philippine Stock Exchange Centre Condominium Corporation whether Respondent Campos and Royal O' Financial Consultancy Services are tenants. In a Letter[13] dated 4 February 2021 PRHC Property Managers, Inc. ("PPMI") informed the EIPD that Royal Consultancy and Respondent Campos are tenants of unit W-810 for a one (1) year period from 16 February 2021 to 15 February 2022, as endorsed by the unit owner.

An Investigation Report[14] from SEC-Cebu Extension Office ("SEC-CEO") which confirmed the conduct of unauthorized investment schemes by Oromagnet through YouTube, was submitted to the EIPD. The SEC-CEO investigation was prompted after it received a complaint from an individual regarding the unauthorized investment scheme of Oromagnet.

On 5 February 2021, the Commission issued an Advisory[15] in the SEC Website informing the public that Royal O' is not authorized to solicit investments, and advised them not to invest and/or to stop investing

---

[10] Annex "H" of the Motion.
[11] Annex "J" of the Motion.
[12] Annex "K" of the Motion
[13] Annex "M" of the Motion.
[14] Annex "N" of the Motion.
[15] Annex "O" of the Motion.

with Royal O. An investor alert in Filipino language was likewise posted in the Facebook page of the Commission on 10 February 2021.

The EIPD sent another letter to PPMI requesting for information/confirmation on whether the two (2) entities registered with the Commission i.e. Royal O' Consultancy and Royal O' International are tenants of unit U-3320-A of Tektite Bldg., PSE Bldg. as reflected in its AoI. PPMI, through its property manager, issued a Certification[16] stating that unit U-3320-A, West Tower of the PSE Centre Condo Corp. is vacant.

On various dates in February 2021, members of the EIPD investigating team logged-in using their dummy accounts and joined the exclusive group chat of *Team Malacash Royal-O*, where they were able to further confirm the conduct of unauthorized investment taking activities of Royal O' who provided prospective members/investors with available bank accounts under the names of Royal Consultancy, Plasmatech, and Respondent Campos[17] where they can deposit their investments.

On 22 February 2021, the EIPD inquired and sought information from the Bureau of Customs ("BOC") on any registrations or certificates issued in favor of Royal International or any affiliate allowing or authorizing the latter to engage in the business of importation and exportation. In a Letter[18] dated 30 March 2021, the BOC certified that neither Royal O International nor any of Respondent Campos' affiliates are accredited as importers or customs brokers.

On 23 February 2021, the Commission issued another Advisory[19] informing the public of the unauthorized investment-taking activities of Respondent Campos which were being perpetrated through Royal O, and advised the public not to deal with or invest in Royal O. The Commission reiterated that it has previously issued an advisory against Royal O' Financial Consultancy Services and Oromagnet. The Advisory was published in the SEC website.

Respondents Campos, Aguas, and Ms. Ladao were subsequently included in the Commission's Monitoring List.

On 1 March 2021, the EIPD sent a Letter[20] to the Cooperative Development Authority ("CDA") informing it of Respondent Campos' plan

[16] Annex "Q" of the Motion.
[17] Pages 19 to 21 of the Motion.
[18] Annex "S" of the Motion.
[19] Annex "T" of the Motion.
[20] Annex "V" of the Motion.

to divert into, and carry out her unauthorized investment-taking activities through a cooperative.

On 2 March 2021, the EIPD received a License to Operate Verification[21] from the Food and Drug Administration ("FDA") stating that Plasmatech is not a registered medical device establishment with its Center for Device Regulation, Radiation Health and Research.

On 10 March 2021, the Commission posted another investor alert in Filipino against Royal O in the Facebook page of the Commission, to warn investors of the unauthorized investment scheme of the said entities.

On 11 March 2021, the EIPD received a Letter[22] from the National Food Authority ("NFA") informing it that by virtue of Republic Act No. 11203, the NFA's mandate on rice importation and regulatory functions were already abolished, which includes, the NFA's registration/licensing/accreditation of private grains businessmen. Further, it stated that prior to the effectivity of RA No. 11203, Royal O and Respondent Campos were neither licensed nor accredited to engage in the trading of rice.

Following the two (2) Advisories issued by the Commission, the EIPD found that Royal O attempted to transfer the conduct or operation of its unauthorized investment-taking activities to a cooperative entity named Royal Tribe Consumers Cooperative, but the same was aborted. The CDA issued a Notice to the Public[23] advising "*the public not to transact business with the "cooperative" or be wooed by its scheming tactics*."[24]

On 23 March 2021, the members of the *Team Malacash* group chat were informed that they can deposit their membership fees through Campos Foundation through the bank account of Respondent Tundag.[25]

On 24 March 2021, the EIPD discovered through the *Team Malacash* group chat that Royal O is also accepting pay-ins under the name of Royal Dry Goods.[26]

On 31 March 2021, the EIPD investigating team learned from the *Team Malacash* group chat that Respondent Campos opted to continue

[21] Annex "W" of the Motion.
[22] Annex X" of the Motion.
[23] Pages 24 to 25 of the Motion.
[24] Page 25 of the Motion.
[25] Paragraph 30 of the Motion.
[26] Paragraph 31 of the Motion.

her investment-taking activities by taking over iPhil Savings and Credit Cooperative. [27]

On 12 April 2021, the EIPD sent a Letter,[28] informing CDA that Respondent Campos is continuing Royal O's illegal investment-taking activities using iPhil Savings and Credit Cooperative.

On 27 April 2021, the EIPD requested confirmation from DTI whether Royal O' applied for a cancellation and/or revocation of its registration. On 29 April 2021, DTI, through an electronic mail reply,[29] informed the EIPD that Royal O' applied for a voluntary cancellation on 15 February 2021 and the same was approved on the same day.

The EIPD secured certifications[30] from the Company Registration and Monitoring Department (CRMD), the Corporate Governance and Finance Department (CGFD), the Markets and Securities Regulation Department (MSRD) and some Extension Offices of the Commission, which all showed that while that while Royal O Consultancy and Royal O International are registered as OPCs, they do not have the requisite license to sell and/or offer for sale securities to the public. Neither do they have any pending application for the issuance of a secondary license.

The CRMD Certification[31] also showed that Respondents Campos and Aguas and Ms. Ladao have not been issued a certificate of registration as registered Associated Person, Compliance Officer, Salesman and/or Certified Investment Solicitor of a Broker Dealer in Securities Investment, Investment House, Underwriter of Securities, Investment Company Adviser, and/or Mutual Fund Distributor.

The CGFD[32] issued negative certifications against Royal O' Consultancy; Royal O' Financial; Oro Magnet Cockpit Arena; Oromagnet International E-Games OPC; Plasmatech Medical Supplies Trading; and Genius Global Import and Export Corporation, and confirmed that the said entities are not registered issuers of mutual funds, exchange traded funds and proprietary/nonproprietary shares or membership certificates and timeshares under Sections 8 and 12 of the SRC and therefore not licensed to offer or sell such securities to the public.

[27] Paragraph 32 of the Motion, pages 29 to 32.
[28] Annex "Y" of the Motion.
[29] Annex "AA" of the Motion
[30] Annexes "G" to "I" of the Motion.
[31] Annex "AJ-1" and "AJ-2" of the Motion.
[32] Annex "AC" of the Motion.

The MSRD likewise issued negative certification[33] against Royal O' Consultancy; Royal O' Financial; Oro Magnet Cockpit Arena; Oromagnet International E-Games OPC; Plasmatech Medical Supplies Trading; and Genius Global Import and Export Corporation, stating that the entities have not registered any security pursuant to Sections 8 and 12 of the SRC, and confirmed that it did not issue in favor of the said entities a Permit to Sell Securities, and no pending application has been filed with the department.

On 9 June 2021, the CDA Region VII EO issued and posted in their website a cease and desist order (CDO) against iPhil Savings and Credit Cooperative.[34]

In the recent turn of events, the perpetrators of Royal O' intended to revert back to Royal O' to continue the illegal investment-taking activities. An Inter-Office Memorandum dated 14 June 2021 with the subject "Transition guidelines from passbook entry to dashboard" was issued wherein the perpetrators of Royal O' decided to transfer all the passbook transactions to Royal O' dashboard. The members of the group chat of *Team Malacash* were also informed that the *Team Malacash* Group Chat will be deleted and that the members who are still interested with Royal O' will be added into a new group chat.[35]

Despite the two (2) advisories issued by the Commission, Respondents continue to engage in the alleged investment-taking activities as shown in the member-investor's complaints received by the EIPD. Hence, the instant *Motion.*

ISSUE

Whether the issuance of a Cease and Desist Order against Royal O' and its affiliates, cohorts, and persons acting for and on their behalf is warranted on the basis of the findings and evidence presented by the EIPD.

DECISION

The Commission finds the instant *Motion* meritorious and hereby grants the same.

The allegations in the EIPD's *Motion* supported by substantial evidence established that Royal O and its affiliate companies are offering

---

[33] Annex "AD" of the Motion.
[34] Pages 36 and 37 of the Motion.
[35] Paragraph 39 of the Motion.

and/or selling unregistered securities in the form investment contracts to the public without the requisite license from the Commission.

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

> Sec. 3. Definition of Terms. – 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:
>
> i. Shares of stocks, bonds, debentures, notes, evidences of indebtedness, asset-backed securities;
>
> ii. Investment contracts, certificates of interest or participation in a profit sharing agreement, certificates of deposit for a future subscription. (Underscoring supplied)

An investment contract is defined as follows:

> "An investment contract is a **contract, transaction or scheme whereby a person invests his money in a common enterprise and is led to expect profits primarily through the efforts of others**. It is presumed to exist when a person seeks to use the money or property of other persons on the promise of profits.
>
> 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." (Emphasis and underscoring supplied)

In *SEC v. Howey Co*., the US Supreme Court defined an investment contract as *a contract or scheme for the placing of capital or laying out of money in a way intended to secure income or profit from its employment*.[36] 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.[37]

This concept of an investment contract has since been used in the Philippines as discussed in *Power Homes Unlimited Corp. v. Securities and Exchange Commission*[38] where the Supreme Court held that an

---

[36] 328 U.S. 293 (1946)

[37] *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.

[38] G.R. No. 164182, February 26, 2008.

investment contract in our jurisdiction, to be a security subject to regulation by the Commission, must be proved to be attended by the following elements: *(1) an investment of money; (2) in a common enterprise; (3) with 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.[39]

Applying the *Howey Test* to the instant case, the Commission agrees with and affirms the findings of the EIPD that Royal O' is engaged in the sale and/or offer of securities in the form of investment contracts as all the elements are present.

First, there is an *investment of money* when an investor commits money to an enterprise or venture in a manner that subjects himself to financial loss.[40] In the instant case, investors of Royal O' deposited amounts ranging from five thousand pesos (₱5,000.00) to five hundred thousand pesos (₱500,000.00) or (₱500,000.00) to ten million pesos (₱10,000,000.00). The actual investment of money by investors were proven by the complaints filed with the EIPD where investors were demanding for the guaranteed returns and/or reimbursement of their investments;

Second, a *common enterprise* is deemed created when two (2) or more investors "pool" their resources. Thus, joint participation by investors in the same investment enterprise, achieved by pooling the invested funds for a common purpose, is required in order to satisfy the common enterprise element.[41] In the instant case, investors of Royal O' invested in *a common enterprise* consisting in the unauthorized investment-taking activities which were carried out in the guise of the various businesses of Royal 'O (online betting, rice trading, import-export etc.);

Third, profit is either through capital appreciation resulting from the development of the initial investment, or participation in earnings resulting from the use of investors' funds. In both cases, investors are "attracted primarily by the prospects of a return on his investment."[42] In the instant case, there is an *expectation of profit* on the part of investors as Respondent Royal O promised a 3% daily guaranteed return or atotal of 201% ROI in 67 days for investors who deposit the amount ranging from five thousand pesos (₱5,000.00) up to five hundred thousand pesos

[39] Investment Co. Institute v. Camp, 274 F. Supp. 624 (D. D.C. 1967).
[40] SEC v. International Mining Exchange, Inc., 515 F. Supp. 1062.
[41] Wasnowic v. Chicago Bd. of Trade 352 F Supp 1066.
[42] Power Homes Unlimited Corporation v. Securities and Exchange Commission.

(₱500,000.00) while investors who deposit the amount ranging from five hundred thousand pesos (₱500,000.00) to ten million pesos (₱10,000,000.00) were promised a 60% return per month or a total of 360% in 6 months.

Fourth, investors expected to earn their guaranteed profits *primarily from the efforts of others* i.e. Respondent Royal O, its affiliates, its directors, officers, employees, agents and representatives, hence, they are not required to perform any act other than the mere deposit of their money with the Respondent.

Investors also earn by recruiting other investors to be a member of Royal O. Royal O is the one that conceptualized, and promoted these referral schemes, hence the investors' efforts in recruiting areminimal.

Moreover, the act of Royal O in publicly offering its unauthorized investment scheme through business presentations conducted via Zoom, posts made in Facebook and YouTube inviting and enticing investors to part with their hard earned money where they are promised to receive guaranteed returns, constitutes public offering of securities as defined Rule 3.1.17 of the 2015 IRR of the SRC, thus:

> "**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:
>
> 3.1.17.1. Publication in any newspaper, magazine or printed reading material which is distributed within the Philippines;
>
> 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)

Section 8.1 of the SRC categorically 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 Commission, thus:

> *"**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 connection thereto, Section 12.1 of the SRC states that 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. In the same case of *Power Homes Unlimited v. Securities and Exchange Commission,*[43] the Supreme Court ruled that:

> "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."

Relative thereto, Section 64 of the SRC provides that:

> "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."

The afore-quoted provision embodies the two (2) essential requirements that must be met prior to the issuance of a cease and desist order: *first,* there must be a conduct of a proper investigation or verification; and *second*, 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.[44]

---

[43] Note 24, *Supra.*

[44] Securities and Exchange Commission vs. Performance Foreign Exchange Corporation, G.R. No. 154131, July 20, 2006.

As to the first requirement, the records show that a proper investigation was conducted by the EIPD as evidenced by its report and the documents showing Royal O's unauthorized and fraudulent investment-taking activities. The EIPD was able to properly verify the complaints filed by the investors who invested money and who were in effect defrauded by Royal O. The EIPD presented the following evidence in support of its *Motion*:

(1) Negative certifications issued by the CRMD, CGFD, and the MSRD to the effect that: (a) Royal O' has not filed nor has any pending application for registration/permit to sell securities; and (b) has not been issued any license to offer and/or sell securities to the public and is not a registered issuer of mutual funds, exchange of traded funds, and proprietary/non-proprietary shares or membership certificates or timeshares;

(2) Negative Certifications issued by the SEC-Extension Offices in Davao, Zamboanga, Cebu, Iloilo to the effect that Royal Maharlika International Foundation and Campos Foundation are not registered in their respective jurisdictions;[45]

(3) Negative certifications that: (a) Royal O International or any of Royal O's affiliates are not licensed with the BOC;[46] (b) Plasmatech is not registered as a device establishment under its CDRRHR issued by the FDA[47]; (c) Royal O International, Respondent Campos and/or any Royal O' affiliates are not authorized to engage in the trading of rice as declared by the NFA[48]; and (e) neither Oromagnet, Respondent Campos, or Royal O's affiliates are authorized to engage in online betting particularly *e-sabong* and other casino operations as declared by PAGCOR[49];

(4) Advisory dated 25 March 2021 issued by the CDA informing the public that Royal Tribe Consumers Cooperative is not registered with the CDA and that it received reports that the alleged "cooperative" is offering very high rates of interest and incentives in order to attract the public to join its business and contribute share capital/investment;

[45] Annexes "AK-1" to "AK-4" of the Motion.
[46] Annex "S" of the Motion.
[47] Annex "W" of the Motion.
[48] Annex "X" of the Motion.
[49] Annex "J" of the Motion.

(5) CDO dated 9 June 2021 issued by the CDA directing iPhil Credit and Savings Cooperative to cease and desist from undertaking investment-taking and networking activities, recruiting members beyond its area of operation, and accepting savings/time deposits from members without written policies and records to support its current operation;

(6) Complaint-Affidavits of members with supporting documents that confirms the modus operandi of Royal O of using different affiliate companies as a manner by which investors are defrauded;

(7) Field investigation report of the EIPD's ocular inspection where it was found that: (a) Royal O is not the occupant of Unit 3303-B of the Tektite PSE Building; and (b) that 39 Pinagkaisahan Cubao, Chicago St., Quezon City is a residential area and there is no any showing or any indication of the existence of Oromagnet;

(8) Investigator's affidavit which attested to the veracity of the information received from the public about the unauthorized investment-taking activities of Royal O and its affiliates. Screenshots of the zoom presentations in Facebook and You Tube as well as conversations in *Team Malacash* Chat group were included in the affidavit as faithful reproductions of such online posts and presentations.[50]

The foregoing shows that the EIPD properly made aninvestigation and carefully studied the operations of Royal O and its affiliates. It is clear that Royal O's supposed businesses are non-existent as the regulatory agencies who have jurisdiction certified on the non-registration and lack of license of Royal O and its affiliates. Given this, the inescapable conclusion is that the sources of Royal O's profits which were used to pay the guaranteed returns of its investors were derived not from legitimate businesses activities but solely from the unauthorized investment taking activities of Royal 'O. Moreover, the investment scheme employed by Royal O has the characteristics of a **Ponzi scheme as it promises an exorbitant returns with little or no risk at all to investors as exemplified in the case of** *People of the Philippines vs. Palmy Tibayan and Rico Z. Puerto*[51] , where the Supreme Court heldthat:

> "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***

[50] Annex "AN" of the Motion
[51] G.R. Nos. 209655-60, January 14, 2015

> ***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)

Clearly, Royal O's investment scheme is not sustainable because the time will come that no more new investors will come in, and this reality will likely cause grave or irreparable injury or prejudice to the investing public.

Finally, the prompt issuance of a cease and desist order is warranted by the finding of this Commission that Royal 'O's unauthorized investment-taking activities were made in violation of the SRC will likely defraud or cause grave or irreparable injury to the investing public. Thus finds support in *Securities and Exchange Commission vs. CJH Development Corp.*[52] where the Supreme Court categorically held that:

> "***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

[52] G.R. No. 210316, November 28, 2016

prescribe, shall be made available to each prospective buyer."
(Emphasis and underscoring supplied)

WHEREFORE, premises considered, **ROYAL O'CONSULTANCY SERVICES OPC; ROYAL O' INTERNATIONAL IMPORT AND EXPORT OPC; OROMAGNET INTERNATIONAL EGAMES OPC; PLASMATECH MEDICAL SUPPLIES TRADING; PRINCESS JOANA JO ALFAJID FOUNDATION**; their owner and CEO, **PRINCESS JOANA JO ALFAJID CAMPOS**, President, **GRETCHEN AGUAS**; representatives, salesmen, solicitors, agents, uplines, enablers and influencers, such as **SCELNNA M. JIMENEZ, CHRISTOPHER "TOFFY" DIMAGUILA, CHRISTOPHER"ACE" TUNDAG**, and **HONEYLYN GRACE ISRAEL** and any and all persons claiming and acting for and in their behalf, are hereby directed to **IMMEDIATELY CEASE AND DESIST** from further engaging in, promoting and facilitating selling and/or offering for sale securities in the form of investment contracts and/or other activities/transactions, until the requisite registration statements are duly filed with and approved by the Commission, and the corresponding license and/or permit to offer/sell securities are issued.

ROYAL O'CONSULTANCY SERVICES OPC; ROYAL O' INTERNATIONAL IMPORT AND EXPORT OPC; OROMAGNET INTERNATIONAL EGAMES OPC; PLASMATECH MEDICAL SUPPLIES TRADING; PRINCESS JOANA JO ALFAJID FOUNDATION; their owner and CEO, **PRINCESS JOANA JO ALFAJID CAMPOS**, President, **GRETCHEN AGUAS**; representatives, salesmen, solicitors, agents, uplines, enablers and influencers, such as **SCELNNA M. JIMENEZ, CHRISTOPHER "TOFFY" DIMAGUILA, CHRISTOPHER "ACE" TUNDAG**, and **HONEYLYN GRACE ISRAEL** and any and all persons claiming and acting for and in their behalf, are likewise directed to **CEASE** their internet presence relatingto 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 in their behalf.

Finally, the Commission hereby **PROHIBITS ROYAL O'CONSULTANCY SERVICES OPC; ROYAL O' INTERNATIONAL IMPORT AND EXPORT OPC; OROMAGNET INTERNATIONAL EGAMES OPC; PLASMATECH MEDICAL SUPPLIES TRADING; PRINCESS JOANA JO ALFAJID FOUNDATION**, its partners, operators, directors, officers, salesmen agents, representatives, promoters, and all persons, conduit entities and subsidiaries claiming and acting for and on its behalf from transacting any business involving the funds covered by this CDO in its depository banks, and from transferring, disposing, or conveying in any manner, all assets, properties, real or personal, including but not limited to bank deposits, of which the named persons herein may have any interest, claim or participation whatsoever, directly or indirectly, under its/their custody, to ensure the preservation of the assets for the benefit of the investors.

Let a copy of this Cease and Desist Order be (a) posted in Royal O' and its affiliates' principal office; (b) posted in the Commission's website; (c) published in a newspaper of general circulation; (d) be furnished to the Company Registration and Monitoring Department, Corporate Governance and Finance Department, and the Information and Communications Technology Department of this Commission, the Bangko Sentral ng Pilipnas, 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 Section 4-3 of the 2016 Rules of Procedure of the Commission, the parties subject of this CDO may file a verified motion to lift the CDO within five (5) days from receipt thereof. The Motion to Lift the CDO must be filed to the Commission En Banc through the Office of the General Counsel.

FAIL NOT UNDER PENALTY OF LAW.

SO ORDERED.

Pasay City, Philippines; 12 August 2021.

EMILIO B. AQUINO
Chairperson

EPHYRO LUIS B. AMATONG
Commissioner

JAVEY PAUL D. FRANCISCO
Commissioner

KELVIN LESTER K. LEE
Commissioner

KARLO S. BELLO
Commissioner