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

IN THE MATTER OF:

ALPHANETWORLD CORPORATION doing business under the name and style of NWORLD

SEC CDO Case No. 02-22-081

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 **ALPHANETWORLD CORPORATION doing business under the name and style of NWORLD,** its president, **JULUIS ALLAN C. NOLASCO**, its directors, stockholders, officers, representatives, salesmen, solicitors, agents, uplines, enablers and influencers, 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, and to remove or take down their online posts and offerings until the requisite registration statements are duly filed with and approved by the Securities and Exchange Commission (Commission) and the license(s) to offer/sell securities are issued; and (b) prohibiting **ALPHANETWORLD CORPORATION doing business under the name and style of NWORLD,** its president, **JULUIS ALLAN C. NOLASCO**, its directors, stockholders, officers, representatives, salesmen, solicitors, agents, uplines, enablers and influencers, and any and all persons claiming and acting for and in their 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.

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PARTIES

The 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 the requisite secondary license.[2]

ALPHANETWORLD CORPORATION doing business under the name and style of NWORLD (formerly: ALPHANETWORLD CORPORATION) [hereinafter referred to as "NWORLD"] is a corporation duly organized and existing under Philippines laws, having been issued a Certificate of Incorporation on 09 July 2015 with Company Registration No. CS201513594. Its principal office is at 6th Floor Belvedere Tower Condominium, San Miguel Avenue, Ortigas Business District, Pasig City.

The incorporators, stockholders and first directors of NWORLD are Juluis Allan G. Nolasco, Josarah L. Nolasco, June Paolo G. Nolasco, Lazarus O. David, Emily Ann Bacolod, Pierre Jasper Bacolod, Jennet S. Gorospe and Ma. Jaclyn Tecson.

RELEVANT FACTS

The conduct of a formal investigation on the operations of NWORLD for possible violation of the relevant provisions of Republic Act No. 8799 (the "Securities Regulation Code" or "RCC") was triggered by EIPD's receipt of inquiries and reports alleging that NWORLD is engaged in investment-taking activities.[3]

The investigation of the EIPD showed that NWORLD is using and maintaining an official webpage[4] for its operations and the same is used by its member-investors to log-in and transact business with the company.[5]

In relation to the business operations of NWORLD, the EIPD was able to gather information, confirm and provide evidence that Alphanetworld is engaged in the sale and offer of securities to the public without the required license from the Commission. The EIPD specifically showed that NWORLD is selling/offering investment packages consisting of the Silver Package valued at P4,750.00, the Gold Package valued at

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[2] Section 2-2(c)(1-c), Rule II, Part I of the 2016 SEC Rules.
[3] Annex "A" of the Motion (see also Par. 12 of the Motion)
[4] https://thealphanetworld.com/ and/or https://thealphanetworld.com/login.html
[5] Par. 13 of the Motion

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P9,500.00, and the Platinum Package valued at P19,000.00[6], which entitles member-investors to receive NWORLD products and a guaranteed monthly return of up to P127,000.00.[7] In addition to the guaranteed returns, the member-investors are also entitled to bonuses consisting of discounted rates (lifetime) of up to 30% for every purchase of NWORLD products, direct referral bonus of P1,000/recruit, and sales match bonus of P2,400/matched downline. Moreover, member-investors may also earn another P25,000.00 under NWORLD's "XX Cash" program whenever they meet the 25xx pairs of recruits.[8] In support thereof, the EIPD presented in evidence the relevant screenshots showing NWORLD's investment-taking activities and the returns, bonuses and rewards that it guaranteed to the investing public.[9]

The investment-taking activities of NWORLD was confirmed, explained and demonstrated to the investigators of EIPD by Mr. Richard Domingo (Mr. Domingo), one of the company's Product Specialist.[10]

The EIPD investigating team also accessed, watched and submitted in evidence the NWORLD+Super Plan Presentation which was made and conducted by NWORLD's President, Mr. Julius Allan Nolasco.[11] In the said public presentation, Mr. Nolasco reiterated and confirmed the statements made by Mr. Domingo that the amount of guaranteed returns, benefits and bonuses which investors will get if they purchase NWORLD's packages.[12] In addition to the benefits/bonuses that were mentioned by Mr. Domingo, Mr. Nolasco also made mention of the "Supercash Incentive" which entitles a member-investor to P3,000.00 for every six (6) pairs of downline per cycle, and "Super Rewards" in the amount of P3,000.00 for every six pairs.[13]

The foregoing confirmed EIPD's finding that NWORLD is engaged in the sale and offer of securities in the form of investment contract.

In the course of its investigation, the EIPD was able to secure a Certification from the Company Registration and Monitoring Department (CRMD)[14], of the Commission which confirmed that while NWORLD was registered as a corporation on July 9, 2015, has not been issued a secondary license as a Lending Company, Broker and/or Dealer of

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[6] Par. 15 of the Motion
[7] Par. 16 of the Motion
[8] Par. 18 of the Motion
[9] Annexes "B" to "B-5"
[10] Pars. 16-18 of the Motion
[11] Annexes "C" to "C-28"
[12] Par. 20 and 21 of the Motion
[13] Par. 21 (3) and (4) of the Motion
[14] Annex "D" of the Motion.

Securities, Dealer in Government Securities, Investment Adviser of an Investment Company, Investment House and Transfer Agent. The Certification of the Corporate Governance and Finance Department (CGFD)[15] on the other hand, which was submitted in evidence by the EIPD confirmed that NWORLD is not a registered issuer of mutual funds, exchange traded funds and proprietary/non-proprietary shares or membership certificates and timeshares. Finally, the Certification of the Markets and Securities Regulation Department (MSRD)[16] which was also obtained and submitted in evidence by the EIPD confirmed that NWORLD has not registered any securities pursuant to Sections 8 and 12 of the SRC, and has not been issued a Permit to Sell Securities.

It is on the basis of NWORLD's lack of the required licenses to sell and/offer securities, which were also unregistered, that the EIPD came to this Commission seeking the issuance of a CDO for the protection of the investing public.

ISSUE

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

RULING

The Commission finds the *Motion* meritorious.

The Articles of Incorporation of respondent NWORLD specifically provides that dealership in securities and brokerage business are not among the actions that the corporation is authorized to perform, to wit:

"Primary Purpose

To engage in, conduct and carry-on the business of research, development, and acquisition of patents and licenses on all consumer goods and merchandise of any kind such as but not limited to the beverages, cosmetics, drugs, food, food supplements, health supplements, pharmaceutical products, and skin care products; as well as importation, exportation, distribution, buying, selling, marketing, wholesaling and retailing of such products insofar as may be permitted by law.

Secondary Purposes

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[15] Annex "E" of the Motion
[16] Annex "F" of the Motion

1. *To provide any and all services necessary, related, or incidental to the operations of Corporation;*

2. *To enter into contracts and agreements of every kind and description* ***for any lawful purpose,*** *including any arrangement for sharing profits, union interest, reciprocal concession, or cooperation, with any person, firm, association, corporation, municipality, body politic, country, province, state, or government, obtain from government or authority any rights, privileges, contracts, and concessions which the Corporation may deem desirable to obtain, carry out, perform, comply with and exercise any such rights, privileges, and concessions;*

3. *To own, acquire, hold, or invest in the shares of stocks and bonds, or other securities of any company or corporation, whether domestic or foreign, and while the owner or holder thereof, to exercise all rights, powers, and incidents, of ownership, including the right to vote the same and to receive, collect, and dispose of the interests, dividends or income therefrom* ***insofar as may be allowed by law; except stockbrokerage business and dealership of securities;***

xxx xxx xxx. (Emphasis supplied)

After carefully considering the Motion which was supported by substantial evidence, the Commission holds that the EIPD was able to establish that NWORLD is selling and/or offering unregistered securities in the form of investment contracts to the public without the requisite license from the Commission.

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

"SEC. 3. Definition of Terms. –

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**:

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(b) **Investment contracts,** certificates of interest or participation in a profit sharing agreement, certificates of deposit for a future subscription;" (Emphasis supplied)

An "investment contract" is defined as follows:

> **"An investment contract means a contract, transaction or scheme whereby a person invests his money in a common enterprise and is led to expect profits primarily from the efforts of others.** It 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."[17] (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 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)

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."[18] (Emphasis supplied)

In the case of *Power Homes Unlimited v. Securities and Exchange Commission,*[19] the Supreme Court ruled that investment contracts are

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[17] Rule 26.3.5 of the Implementing Rules and Regulations of the SRC.
[18] Rule 26.3.5 of the Implementing Rules and Regulations of the SRC.
[19] Note 24, *Supra.*

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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.*[20] 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.[21]

The concept of an investment contract was thereafter adopted and used in *Power Homes Unlimited Corporation v. Securities and Exchange Commission,*[22] 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 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.[23]

Applying the foregoing to the instant case, this Commission finds that NWORLD 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.

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[20] 328 U.S. 293, 66 S. Ct. 1100, 90 L. Ed. 1244, 163 A.L.R. 1043 (1946).
[21] *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.
[22] G.R. No. 164182, 26 February 2008.
[23] Investment Co. Institute v. Camp, 274 F. Supp. 624 (D. D.C. 1967).

First, NWORLD required its investors to invest amounts corresponding to the packages that were bought by member-investors i.e. P4,750.00 for the Silver Package, P9,500.00 for the Gold Package, P19,000.00 for the Platinum Package. In this case, the actual investment of money was substantiated by the complaints received by the EIPD.

Second, The EIPD was able to show that the investment scheme of NWORLD 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. NWORLD's sale of its investment scheme is the common enterprise that is sustained by the investments received from the public.

Third, NWORLD's investors expect to receive a guaranteed monthly return of up to P127,000.00, and bonuses consisting of (a) discounted rates (lifetime) of up to 30% for every purchase of NWORLD products, (b) direct referral bonus of P1,000/recruit, (c) sales match bonus of P2,400/matched downline, (d) cash bonus of up to P25,000.00 under NWORLD's "XX Cash" program, (e) "Supercash Incentive" of P3,000.00 for every six (6) pairs of downline per cycle, and (f) "Super Rewards" in the amount of P3,000.00.

Fourth, NWORLD's investors expect to earn their guaranteed returns from the efforts of the company's directors, officers, agents and promoters.

Moreover, the evidence presented by the EIPD also shows that NWORLD's investment scheme involves public offering of securities.

Public offering of securities is defined under Rule 3.1.17 of the 2015 IRR of the SRC 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:
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> x x x
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> 3.1.17.3 Advertisement or announcement in radio, television, telephone, **electronic communications, information communication technology or any other forms of communication**;"[24] (Emphasis supplied)

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

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Here, the evidence submitted by the EIPD shows that NWORLD is offering investment plans publicly through its official website and social media platforms, i.e., Facebook, to potential investors without prior registration.

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.[25]

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 NWORLD.

The second requisite is likewise present considering that NWORLD employed fraud when its directors, officers, agents, representatives and promoters made it appear to the public that it is investment packages 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.*[26], the Supreme Court held that fraud is a generic term that covers any act calculated to deceive, thus:

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[25] Securities and Exchange Commission vs. Performance Foreign Exchange Corporation, G.R. No. 154131, July 20, 2006.
[26] 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, the Commission holds that the act of NWORLD 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.[27] This finds support in the case of *Securities and Exchange Commission vs. CJH Development Corp.*[28] 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)

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

WHEREFORE, premises considered, **ALPHANETWORLD CORPORATION doing business under the name and style of NWORLD,** its president, **JULUIS ALLAN C. NOLASCO,** its directors, stockholders, officers, representatives, salesmen, solicitors, agents, uplines, enablers and influencers, and any and all persons claiming and acting for and in their 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.

ALPHANETWORLD CORPORATION doing business under the name and style of NWORLD, its president, **JULUIS ALLAN C. NOLASCO,** its directors, stockholders, officers, representatives, salesmen, solicitors, agents, uplines, enablers and influencers, and any and all persons claiming and acting for and in their 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 in their behalf

Finally, the Commission hereby **PROHIBITS ALPHANETWORLD CORPORATION doing business under the name and style of NWORLD,** its president, **JULUIS ALLAN C. NOLASCO,** its directors, stockholders, officers, representatives, salesmen, solicitors, agents, uplines, enablers and influencers, and any and all persons claiming and acting for and in their 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 NWORLD, (b) cause the posting of this Order in the Commission's website, and (c) the publication of the same in a newspaper of general circulation as provided for under Section 4-2, Rule IV, Part I of the 2016 Rules of Procedure of the SEC.

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.

Pasay City, Philippines; 23 February 2022.

EMILIO B. AQUINO
Chairperson

EPHYRO LUIS B. AMATONG
Commissioner

JAVEY PAUL D. FRANCISCO
Commissioner

KELVIN LESTER K. LEE
Commissioner

KARLO S. BELLO
Commissioner