



PRESS RELEASE

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SEC issues cease and desist order against MFT Group

The Securities and Exchange Commission (SEC) has issued a cease and desist order against MFT Group of Companies, Inc. and Foundry Ventures I, Inc. for illegally soliciting investments from the public.

In an order dated January 16, the Commission *En Banc* directed the MFT Group and Foundry Ventures to immediately cease and desist from further engaging in the unlawful solicitation, offer, and/or sale of securities in the form of investment contracts without the necessary license from the SEC.

The Commission further prohibited the MFT Group and Foundry Ventures from transacting any business involving funds in its depository banks, and from transferring, disposing, or conveying any related assets to ensure the preservation of the assets of its investors.

The order covers the companies' directors and officers, including Maria Francesca F. Tan, also known as Mica Tan, Florita F. Tan, Charles Edward F. Tan, Christian Konstantin "Ck" P. Agbayani, Ronaldo G. Nery, Parker R. Ong, Chiqui T. Tan, JD B. Montelibano, Romarico "Rico" S. Ruiz, Arlene M. Navarro, Beatriz R. Tomas, Mary Ruth A. Oquendo, Joanne A. Cabaero, Thuy Nguyen, Roxanne G. Agbayani, Luis Gabriel R. Cancio, Jr., Noel M. Olan, JR Hernandez, Christian Olan, Tito Cosejo, Jr., and Christian "Kenchi" De Vera.

The order also applies to the MFT Group and Foundry Ventures' representatives, salesmen, solicitors, agents, uplines, enablers and influencers, and any and all persons claiming and acting for and in their behalf. The Commission further warned them it 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.

The Commission issued the cease and desist order after the SEC Enforcement and Investor Protection Department (EIPD) found that the MFT Group, which later on transitioned to Foundry Ventures, was offering and selling unregistered securities in the form of investment contracts to the public in the guise of borrower-lender agreements in the form of memorandums of agreement that would later be transformed into promissory notes.

Based on the complaints received and the independent investigation conducted by the EIPD, the MFT Group organized public events where it solicited investments supposedly for start-up companies in exchange for a guaranteed return ranging from 12% to 18% per annum. For this purpose, the MFT Group issued post-dated checks but the amounts indicated in the checks would not be paid.

According to the EIPD, the MFT Group deliberately used the term, "interest income," to give semblance of legitimacy to the transactions, which the group packaged as loans.

"[I]t is interesting to note how the Subject Persons and their Agents appears to have deliberately used loan agreements, checks and even promissory notes to facilitate their unauthorized investment scheme," the Commission noted.

"By using the said instruments, the Subject Persons and their Agents made it appear that the investments which they were getting from the public are loans which are used to fund the operations of their alleged subsidiaries," it added.

However, the Commission cited the 2008 case of *Gabionza vs. Court of Appeals* where the Supreme Court held that the checks involved therein assumed the character of "evidences of indebtedness" when they were issued in exchange for a big number of individual non-personalized loans solicited from the public.

"[A]ll shares, participation or interests in a corporation or in a commercial enterprise or profit-making venture and evidence by a certificate, contract, instrument, whether written or electronic in character within the Philippines are securities or presumed to be securities," the Commission explained.

"In particular, a certificate or evidence of indebtedness is a written representation of debt securities or obligations of corporations such as long term commercial and short-term commercial papers. A certificate of indebtedness pertains to certificates for the creation and maintenance of a permanent improvement revolving fund, similar to a 'bond.' Being equivalent to a bond, it is properly understood as acknowledgement of an obligation to pay a fixed sum of money. It is usually used for the purpose of long-term loans."

Thus, in the case of the MFT Group, the Commission held that "the contracts of loan and the post-dated checks are securities in the form of 'evidence of indebtedness' contemplated under the SRC (Securities Regulation Code), inasmuch as they were executed and issued, or are clearly intended to be executed and issued, in exchange for a considerably big number of individual non-personalized loans obtained or solicited from the public."

Section 8 of Republic Act No. 8799, or The Securities Regulation Code (SRC), 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 SEC.

While registered as corporations, MFT Group of Companies and Foundry Ventures had not secured the required secondary license in the form of an approved registration statement and a permit to sell securities to the public, as required under Section 8 of the SRC, in relation to Section 3 of the 2015 SRC Implementing Rules and Regulations.

“Considering that the Subject Persons and their Agents have not been issued the requisite license to sell/offer securities, this Commission is duty-bound to immediately stop their unauthorized investment-taking activities for the protection of the investing public,” the Commission noted.

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NOTE TO THE EDITOR

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