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Philippines 2025

Analysis of the Interactive Brokers (IBKR) Ban

Financial Law Insights

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Legal Brief

Analysis of the Philippine Government's Ban on Interactive Brokers (IBKR)

In late 2025, Philippine regulators moved to block access to Interactive Brokers (IBKR), a major global online trading platform, through directives to internet service providers (ISPs). The National Telecommunications Commission (NTC) confirmed it ordered ISPs to disable IBKR and dozens of other platforms at the request of regulators. The *Bangko Sentral ng Pilipinas* (BSP) identified IBKR as operating without authorization under rules for Virtual Asset Service Providers (VASPs), while the Securities and Exchange Commission (SEC) separately flagged IBKR for offering securities and brokerage services without local registration.

1. The BSP Directive

The BSP, under the New Central Bank Act (RA 7653, as amended by RA 11211), regulates "money service businesses" including Virtual Asset Service Providers. BSP Circular No. 1206 (2024) updated Section 902-N of the Manual of Regulations for Non-Bank Financial Institutions to tighten guidelines on VASPs.

In general, no person or entity may offer virtual asset services (such as cryptocurrency exchange or custody) in the Philippines without a BSP license, and the BSP can take action to stop "unauthorized virtual asset-related activities." The NTC's November 22, 2025 memorandum, issued upon BSP's request, identified 50 online platforms operating as unregistered VASPs and ordered ISPs to block them. IBKR was explicitly included on this list alongside primarily crypto-focused services like Binance, Coinbase, Kraken, and others.

The inclusion of IBKR in a crypto-focused enforcement sweep is notable because IBKR's core business is facilitating trading in traditional securities (stocks, ETFs, options, futures, bonds, etc.) across global markets. IBKR is a well-established, regulated securities broker in many jurisdictions. Its connection to "virtual assets" is tangential: IBKR does allow trading in cryptocurrencies through its platform in some markets, which likely triggered the BSP's scrutiny.

Even so, characterizing IBKR as a VASP captures only a narrow aspect of its services. **All of IBKR's offerings (even those unrelated to crypto) were blocked** by the ISP-level ban, meaning Filipino investors were cut off from their international stock and options accounts entirely.

This is a much broader impact than the BSP's mandate to police unlicensed crypto providers. Globe Telecom's statement made clear the directive was to remove "unlicensed or unregistered VASP platforms from the digital space." In effect, however, the measure "restricted access to IBKR" in general.

The BSP's order can be seen as **overreaching** because it **overextended a crypto-specific regulatory rationale to justify an outright ban on a multi-asset brokerage**.

BSP's authority under Section 902-N and Circular 1206 is focused on mitigating risks from unregulated virtual asset activities (e.g. preventing money laundering, fraud, or loss in the crypto market). Blocking **all** IBKR services, including equities trading that falls under SEC jurisdiction, goes beyond what is necessary to address the purported VASP violation.

A more proportionate response could have been to target only the unlicensed virtual asset activity (if any), *e.g.*, by ordering IBKR to cease offering crypto asset services to Philippine residents unless licensed. Instead, the remedy effectively shut down access to legitimate, non-crypto services that are outside BSP's regulatory scope.

2. The SEC Directive

The Securities Regulation Code (SRC, Republic Act No. 8799) requires that any person or entity engaging in the securities business in the Philippines must register with the SEC or fall under an exemption. Specifically, Section 28 of the SRC provides that "[n]o person shall engage in the business of buying or selling securities in the Philippines as a broker or dealer, or act as a salesman, or an associated person of any broker or dealer" unless registered with the SEC.

The SEC has invoked this provision against foreign online trading platforms. It issued advisories in 2023-2024 naming entities like eToro and XM for operating without the necessary licenses, warning that they are not authorized to "sell or offer securities in the Philippines".

In IBKR's case, while there was (based on media reports) no specific SEC advisory published, PLDT confirmed the block was done on SEC's directive. SEC's apparent view is that IBKR has been allowing Filipinos to open accounts and trade securities without SEC registration**,** in violation of the SRC's broker-dealer registration requirement.

A critical question is whether IBKR was "doing business" or "offering securities" within the Philippines, given that it has no local office or agents and does not actively advertise in the country. Under Philippine law, the mere accessibility of a foreign service online does not automatically mean the foreign company is doing business domestically. We must draw a line between **active solicitation** and **passive availability** or **reverse solicitation**.

"Active solicitation" entails purposeful outreach to the Philippine market, *e.g.*, running local marketing campaigns, targeting Filipino investors through social media or local events, using local payment channels, or otherwise tailoring services to attract Philippine clientele.

"Passive availability" or "reverse solicitation", in contrast, does not entail purposeful outreach to the Philippine market. If a platform does not specifically target the Philippines (no local advertising, Peso-denominated products, Filipino sales agents), and merely accepts foreign customers who find their way to its platform, this might be characterized as passive commerce.

By most accounts, IBKR's presence in the Philippines was **passive**. Based on media reports, the company has no physical office or personnel in the country and does not run Philippine-specific promotions. An IBKR spokesperson noted (in private communications reported by users) that they had not been contacted by Philippine authorities about compliance issues. Unlike some retail

trading apps, IBKR did not heavily advertise to Filipino retail investors. Filipino investors typically learned of IBKR through online forums or word of mouth (often to access international markets and lower fees), not because IBKR specifically targeted them.

Philippine law considers the locus of the offer/sale. An offer of securities is deemed made "within the Philippines" if, for instance, it is directed to persons in the Philippines or received in the Philippines. The SRC's registration provisions (Section 8 on securities registration and Section 28 on broker licensing) are triggered by onshore offering activity.

In IBKR's case, Filipino clients proactively signed up online, sending funds from local banks to IBKR's overseas accounts to invest. There was no active encouragement from IBKR within the Philippines. In substance, these customers were availing of an international service as if traveling to a foreign financial market virtually. No Philippine law expressly forbids individuals from investing abroad or opening accounts with foreign brokers (provided any foreign exchange regulations on remittances are complied with), and there is no indication that IBKR's Filipino users were violating any law by doing so.

In considering proportionality and appropriateness, the SEC could have pursued alternatives short of an access ban. Normally, enforcement of Section 28 is done through cease-and-desist orders or advisories, giving the unregistered entity a chance to comply or the public a chance to withdraw funds. In IBKR's situation, the SEC did not first issue a public cease-and-desist or warning naming IBKR (at least none was published prior to the ban, per media reports). Going straight to a blockage can be seen as heavy-handed. It also arguably hurts the very investors the SEC is trying to protect, by suddenly cutting off their legitimate investment activities (a point raised by many affected users).

3. Procedural and Due Process Issues

One of the most troubling aspects of the IBKR ban was the **absence of due process** in its implementation. Affected investors and IBKR itself were caught by surprise. There was no prior public advisory or warning specific to IBKR from either the SEC or BSP before access was cut off. Customers suddenly found the website unreachable and the app non-functional on certain ISPs.

IBKR's customer support reportedly told a user that they were not aware of this issue nor have they been contacted by the SEC or Philippines. This indicates that Philippine authorities did not coordinate with IBKR to inform them of alleged violations or to seek an explanation prior to taking enforcement action.

Under Philippine administrative law, this sequence of events raises red flags. Both the 1987 Constitution and administrative jurisprudence enshrine the right to due process of law. Article III, Section 1 of the Constitution guarantees that "[n]o person shall be deprived of life, liberty or property without due process of law." In the administrative context, due process generally means notice and an opportunity to be heard before an adverse action is taken. The landmark case *Ang Tibay vs. Court of Industrial Relations* (1940) set out basic requirements for administrative due process, including the right to a hearing, the consideration of evidence, and a reasoned decision on the record. While the SEC and BSP's blocking directives were not court

proceedings, they were exercises of regulatory power that adversely affected both IBKR and Filipino investors (whose property rights in their brokerage accounts were affected by loss of access).

IBKR allegedly received no formal notice or cease-and-desist order stating the charges or giving it a chance to respond. Ordinarily, if the SEC believes a firm is violating the SRC, it can issue a show-cause order or an *ex parte* Cease and Desist Order (CDO) with subsequent hearing. The SEC's rules allow summary CDOs in urgent cases of fraud or harm to investors, but even then, the respondent is typically given a prompt opportunity to contest the order in an *en banc* hearing.

Here, because IBKR has no local presence, the SEC seemingly bypassed any attempt at direct communication. This not only disadvantaged IBKR (which might have opted to voluntarily geo-block Philippine users or clarify its status had it been approached), but also sets a concerning precedent for how foreign entities are handled.

Investors only learned of the ban after it happened. The SEC often issues advisories to warn the public about unregistered investment platforms, as it did with many crypto exchanges and trading apps in prior months. In IBKR's case, no advisory was allegedly posted on the SEC or BSP website as of the blocking date.

Many users expressed frustration that the lack of a public advisory from regulators meant they had no chance to prepare, e.g. by moving their funds. They pointed out that in the Binance ban, investors were given time to adjust after an SEC warning, whereas here there was zero grace period.

Basic fairness would dictate that if a platform is to be barred, existing users should be alerted and perhaps given a window to withdraw assets or make contingency plans.

Neither IBKR nor any representative of affected investors had a platform to challenge the basis of the ban before it took effect. Only after the fact did public and political pressure mount. By then, the damage (in terms of disruption and panic) was done. From a constitutional perspective, this looks like a deprivation of property (investors' ability to access their legitimate accounts, and IBKR's business interests) without due process. Even if one argues that what was blocked is a service rather than property, the blocking impaired users' enjoyment of their property (their securities and funds).

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Got further questions? Contact us at attorney@geronimo.law or visit our website at www.geronimo.law.

Disclaimer: the factual background in this briefing note is based on publicly available media reports as of December 2025 and have not been independently verified with the relevant regulatory agencies or IBKR.

About Our Firm

Geronimo Law is a full-service law firm based in the Philippines and serving the globe. We specialize in corporate and financial law, including corporate finance, deals and M&A, banking, securities and investments, structured finance, foreign investments, and PPPs and project finance. Our practice also covers litigation and disputes, taxation, labor, IP, and immigration. Headquartered in Makati, we serve over 200+ clients across industries and jurisdictions.

Geronimo Law regularly acts as counsel for international financial institutions, foreign corporations, and international organizations on financial transactions. These include complex financial instruments, their documentation, and legal, regulatory, tax and transaction advisory.

Russell Stanley Q. Geronimo is the founder and managing lawyer of the firm. He served in all branches of government, i.e., executive, legislative, and judicial (Office of the President, Senate, House of Representatives, and Supreme Court). He was an associate at SyCip Salazar Hernandez & Gatmaitan. His areas of focus include derivatives and cross-border financial transactions, deals and M&A, securities and investments, PPP and project finance, and general corporate practice.

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