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SECOND DIVISION

[G.R. No. 167041. June 17, 2008]

PROVIDENT INTERNATIONAL RESOURCES CORPORATION, represented by Edward T. Marcelo, Constancio D. Francisco, Anna Melinda Marcelo-Revilla, Lydia J. Chuanico, Daniel T. Pascual, Linda J. Marcelo, John Marcelo, Celia C. Caburnay and Celedonio P. Escaño, Jr., and CELEDONIO ESCAÑO, JR., *petitioners, vs.* **JOAQUIN T. VENUS, JOSE MA. CARLOS L. ZUMEL, ALFREDO D. ROA III, LAZARO L. MADARA and SANTIAGO ALVAREZ, JR.,** *respondents.*

SYLLABUS

1. MERCANTILE LAW; SECURITIES AND EXCHANGE COMMISSION (SEC); POWERS AND FUNCTIONS PROVIDED FOR UNDER THE SECURITIES REGULATION CODE (REPUBLIC ACT NO. 8799). — The Securities Regulation Code (Republic Act No. 8799) provides: Sec. 5. *Powers and Functions of the Commission*.— 5.1. The Commission shall act with transparency and shall have the powers and functions provided by this Code, Presidential Decree No. 902-A, the Corporation Code, ... Pursuant thereto the Commission shall have, among others, the following powers and functions: (a) *Have jurisdiction and supervision over all corporations, partnerships or associations who are the grantees of primary franchises and/or a license or permit issued by the Government;* (b) Formulate policies and recommendations in issues concerning the securities market, advise Congress and other government agencies on all aspects of the securities market and propose legislation and amendments thereto; (c) Approve, reject, suspend, revoke or require amendments to registration statements, and registration and licensing applications; (d) *Regulate, investigate or supervise the activities of persons to ensure compliance;* (e) Supervise, monitor, suspend or take over the activities of exchanges, clearing agencies and other SROs; (f) Impose sanctions for the violation of laws and the rules, regulations and orders issued

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pursuant thereto; (g) Prepare, approve, amend or repeal rules, regulations and orders, and issue opinions and provide guidance on and supervise compliance with such rules, regulations and order; (h) Enlist the aid and support of and/or deputize any and all enforcement agencies of the Government, civil or military as well as any private institution, corporation, firm, association or person in the implementation of its powers and functions under this Code; (i) Issue cease and desist orders to prevent fraud or injury to the investing public; (j) Punish for contempt of the Commission, both direct and indirect, in accordance with the pertinent provisions of and penalties prescribed by the Rules of Court; (k) Compel the officers of any registered corporation or association to call meetings of stockholders or members thereof under its supervision; (l) Issue *subpoena duces tecum* and summon witnesses to appear in any proceedings of the Commission and in appropriate cases, order the examination, search and seizure of all documents, papers, files and records, tax returns, and books of accounts of any entity or person under investigation as may be necessary for the proper disposition of the cases before it, subject to the provisions of existing laws; (m) Suspend, or revoke, after proper notice and hearing the franchise or certificate of registration of corporations, partnerships or associations, upon any of the grounds provided by law; and (n) *Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws.* From the above, it can be said that the SEC's regulatory authority over private corporations encompasses a wide margin of areas, touching nearly all of a corporation's concerns. This authority more vividly springs from the fact that a corporation owes its existence to the concession of its corporate franchise from the state. Under its regulatory responsibilities, the SEC may pass upon applications for, or may suspend or revoke (after due notice and hearing), certificates of registration of corporations, partnerships and associations (excluding cooperatives, homeowners' association, and labor unions); compel legal and regulatory compliances; conduct inspections; and impose fines or other penalties for violations of the Revised Securities Act, as well as implementing rules and directives of the SEC, such as may be warranted.

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2. ID.; ID.; DUTY TO ENSURE THAT ONLY ONE SET OF STOCK AND TRANSFER BOOK (STB) IS MAINTAINED FOR EACH CORPORATION, SUSTAINED. — As the administrative agency responsible for the registration and monitoring of STBs, it is the body cognizant of the STB registration procedures, and in possession of the pertinent files, records and specimen signatures of authorized officers relating to the registration of STBs. The evaluation of whether a STB was authorized by the SEC primarily requires an examination of the STB itself and the SEC files. This function necessarily belongs to the SEC as part of its regulatory jurisdiction. Contrary to the allegations of respondents, the issues involved in this case can be resolved without going into the intra-corporate controversies brought up by respondents. As the regulatory body, it is the SEC's duty to ensure that there is only one set of STB for each corporation. The determination of whether or not the 1979-registered STB is valid and of whether to cancel and revoke the August 6, 2002 certification and the registration of the 2002 STB on the ground that there already is an existing STB is impliedly and necessarily within the regulatory jurisdiction of the SEC. Under the circumstances of the instant case, we find no error in the exercise of jurisdiction by the SEC. All that the SEC was tasked to do, and which it actually did, was to evaluate the 1979 STB presented to it.

APPEARANCES OF COUNSEL

Angara Abello Concepcion Regala and Cruz for petitioners.
Rivera Santos & Maranan for respondents.

D E C I S I O N

QUISUMBING, *J.*:

For review on *certiorari* are the Decision[1] dated December 13, 2004 and Resolution[2] dated February 3, 2005 of the Court

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[1] *Rollo*, pp. 43-50. Penned by Associate Justice Juan Q. Enriquez, Jr., with Associate Justices Salvador J. Valdez, Jr. and Vicente Q. Roxas concurring.

[2] *Id.* at 52-53.

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of Appeals in CA-G.R. SP No. 77672, which set aside the Order[3] dated May 27, 2003, of the Securities and Exchange Commission (SEC) *En Banc* in CRMD-AA-Case No. 04-03-22.

The pertinent facts are as follows:

Petitioner Provident International Resources Corporation (PIRC) is a corporation duly organized under Philippine law. It was registered with the SEC on September 20, 1979. Edward T. Marcelo, Constancio D. Francisco, Lydia J. Chuanico, Daniel T. Pascual, and Jose A. Lazaro, collectively known as the Marcelo group, were its incorporators, original stockholders, and directors.[4]

Another group, known as the Asistio group, composed of Luis A. Asistio, Lazaro L. Madara, Alfredo D. Roa III, Joaquin T. Venus, and Jose Ma. Carlos L. Zumel, claimed that the Marcelo group acquired shares in PIRC as mere trustees for the Asistio group. The Marcelo group allegedly executed a waiver of pre-emptive right, blank deeds of assignment, and blank deeds of transfer; endorsed in blank their respective stock certificates over all of the outstanding capital stock registered in their names; and completed the blank deeds in 2002 to effect transfers to the Asistio group.

On August 6, 2002, the Company Registration and Monitoring Department (CRMD) of the SEC issued a certification[5] stating that verification made on the available records of PIRC showed failure to register its stock and transfer book (STB). It also appears that on April 21, 1998, the Supervision and Monitoring Department of the SEC had issued a show cause letter[6] to PIRC for its supposed failure to register its STB.

On August 7, 2002, the Asistio group registered PIRC's STB. Upon learning of this, PIRC's assistant corporate secretary, Celedonio Escaño, Jr., requested the SEC for a certification of

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[3] *Id.* at 412-415.

[4] *Id.* at 54-60.

[5] *Id.* at 588.

[6] *Id.* at 348.

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the registration in 1979 of PIRC's STB. Escaño presented the 1979-registered STB bearing the SEC stamp and the signature of the officer in charge of book registration.

Meanwhile, on October 17, 2002, the Asistio group filed in the Regional Trial Court (RTC) of Muntinlupa City, a complaint[7] docketed as Civil Case No. 02-238 against the Marcelo group. The Asistio group prayed that the Marcelo group be enjoined from acting as directors of PIRC, from physically holding office at PIRC's office, and from taking custody of PIRC's corporate records.

Then, on October 30, 2002, the CRMD of the SEC issued a letter[8] recalling the certification it had issued on August 6, 2002 and canceling the 2002-registered STB. However, one Kennedy B. Sarmiento requested the SEC not to cancel the 2002-registered STB. The SEC thus scheduled a conference to determine which of the two STBs is valid. The parties were ordered to file their respective position papers. On February 12, 2003, the hearing officer ruled:

> WHEREFORE, premises considered and finding the 1979 stock and transfer book authentic and duly executed, the Commission hereby recall the certification issued on 6 August 2002 and cancel the stock and transfer book registered on October 2002. Accordingly, the stock and transfer book registered on 25 September 1979 shall remain valid.
>
> SO ORDERED.[9]

The Asistio group appealed to the SEC Board of Commissioners. They claimed that the issue of which of the two STBs is valid is intra-corporate in nature; hence, the RTC, not the SEC, has jurisdiction.

The SEC, in its assailed order, denied the appeal. The SEC ratiocinated that the determination of which of the two STBs is

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[7] Records, folder 17, pp. 143-149.

[8] *Rollo*, pp. 276-277.

[9] *Id.* at 359.

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valid calls for regulatory, not judicial power and is therefore within its exclusive jurisdiction.

The Asistio group elevated the case to the Court of Appeals, which ruled in their favor. The Court of Appeals held that the issue of which of the two STBs is valid is intra-corporate and thus subject to the jurisdiction of the RTC. The appellate court reversed the SEC ruling, to wit:

> WHEREFORE, premises considered, the instant petition is hereby **GRANTED**. The Order of the Commission *en banc* dated May 27, 2003, is hereby **ANNULLED** and **SET ASIDE**.
>
> SO ORDERED.[10]

The motion for reconsideration of the aforequoted decision was denied for lack of merit. Aggrieved, the Marcelo group filed the instant petition for review on *certiorari* raising the sole issue

> WHETHER OR NOT THE SEC HAS THE JURISDICTION TO RECALL AND CANCEL A STOCK AND TRANSFER BOOK WHICH IT ISSUED IN 2002 BECAUSE OF ITS MISTAKEN ASSUMPTION THAT NO STOCK AND TRANSFER BOOK HAD BEEN PREVIOUSLY ISSUED IN 1979.[11]

Petitioners, consisting of the Marcelo group, contend that the Court of Appeals erred in ruling that the SEC has no jurisdiction over the case. Petitioners insist the issue in this case is not an intra-corporate dispute, but one that calls for the exercise of the SEC's regulatory power over corporations. Petitioners maintain that the recall and cancellation of the 2002-registered STB does not conflict with the proceedings in the civil case so as to violate the *sub judice* rule. Petitioners point out that a judgment has, in fact, been promulgated in the said civil case.

Respondents, composed of the Asistio group, counter that in resolving the question of which of the two STBs is valid, the issues of (1) falsification by corporate officers of corporate

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[10] *Id*. at 50.

[11] *Id*. at 660.

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records and (2) the acquisition of shares by the Asistio group, must first be settled. Respondents thus claim that the real issue is intra-corporate and that whether the 2002-registered STB should be recalled is a mere consequence of the real controversies that should be heard by a regular court.

To resolve the issue of jurisdiction, it would be good to look at the powers and functions of the SEC.

The Securities Regulation Code (Republic Act No. 8799) provides:

> Sec. 5. *Powers and Functions of the Commission*.— 5.1. The Commission shall act with transparency and shall have the powers and functions provided by this Code, Presidential Decree No. 902-A, the Corporation Code, ... Pursuant thereto the Commission shall have, among others, the following powers and functions:
>
> (a) *Have jurisdiction and supervision over all corporations, partnerships or associations who are the grantees of primary franchises and /or a license or permit issued by the Government;*
>
> (b) Formulate policies and recommendations in issues concerning the securities market, advise Congress and other government agencies on all aspects of the securities market and propose legislation and amendments thereto;
>
> (c) Approve, reject, suspend, revoke or require amendments to registration statements, and registration and licensing applications;
>
> (d) *Regulate, investigate or supervise the activities of persons to ensure compliance;*
>
> (e) Supervise, monitor, suspend or take over the activities of exchanges, clearing agencies and other SROs;
>
> (f) Impose sanctions for the violation of laws and the rules, regulations and orders issued pursuant thereto;
>
> (g) Prepare, approve, amend or repeal rules, regulations and orders, and issue opinions and provide guidance on and supervise compliance with such rules, regulations and order;
>
> (h) Enlist the aid and support of and/or deputize any and all enforcement agencies of the Government, civil or military as well as any private institution, corporation, firm, association or person in the implementation of its powers and functions under this Code;

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(i) Issue cease and desist orders to prevent fraud or injury to the investing public;

(j) Punish for contempt of the Commission, both direct and indirect, in accordance with the pertinent provisions of and penalties prescribed by the Rules of Court;

(k) Compel the officers of any registered corporation or association to call meetings of stockholders or members thereof under its supervision;

(l) Issue *subpoena duces tecum* and summon witnesses to appear in any proceedings of the Commission and in appropriate cases, order the examination, search and seizure of all documents, papers, files and records, tax returns, and books of accounts of any entity or person under investigation as may be necessary for the proper disposition of the cases before it, subject to the provisions of existing laws;

(m) Suspend, or revoke, after proper notice and hearing the franchise or certificate of registration of corporations, partnerships or associations, upon any of the grounds provided by law; and

(n) *Exercise such other powers as may be provided by law as well as those which may be implied from, or which are necessary or incidental to the carrying out of, the express powers granted the Commission to achieve the objectives and purposes of these laws.* (Italics supplied.)

From the above, it can be said that the SEC's regulatory authority over private corporations encompasses a wide margin of areas, touching nearly all of a corporation's concerns.[12] This authority more vividly springs from the fact that a corporation owes its existence to the concession of its corporate franchise from the state.[13] Under its regulatory responsibilities, the SEC may pass upon applications for, or may suspend or revoke (after due notice and hearing), certificates of registration of corporations, partnerships and associations (excluding cooperatives, homeowners' association, and labor unions); compel legal and

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[12] *Philippine Stock Exchange, Inc. v. The Honorable Court of Appeals*, G.R. No. 125469, October 27, 1997, 281 SCRA 232, 246.

[13] *Id*.

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regulatory compliances; conduct inspections; and impose fines or other penalties for violations of the Revised Securities Act, as well as implementing rules and directives of the SEC, such as may be warranted.[14]

Considering that the SEC, after due notice and hearing, has the regulatory power to revoke the corporate franchise — from which a corporation owes its legal existence — the SEC must likewise have the lesser power of merely recalling and canceling a STB that was erroneously registered.

Going to the particular facts of the instant case, we find that the SEC has the primary competence and means to determine and verify whether the subject 1979 STB presented by the incumbent assistant corporate secretary was indeed authentic, and duly registered by the SEC as early as September 1979. As the administrative agency responsible for the registration and monitoring of STBs, it is the body cognizant of the STB registration procedures, and in possession of the pertinent files, records and specimen signatures of authorized officers relating to the registration of STBs. The evaluation of whether a STB was authorized by the SEC primarily requires an examination of the STB itself and the SEC files. This function necessarily belongs to the SEC as part of its regulatory jurisdiction. Contrary to the allegations of respondents, the issues involved in this case can be resolved without going into the intra-corporate controversies brought up by respondents.

As the regulatory body, it is the SEC's duty to ensure that there is only one set of STB for each corporation. The determination of whether or not the 1979-registered STB is valid and of whether to cancel and revoke the August 6, 2002 certification and the registration of the 2002 STB on the ground that there already is an existing STB is impliedly and necessarily within the regulatory jurisdiction of the SEC.

Under the circumstances of the instant case, we find no error in the exercise of jurisdiction by the SEC. All that the SEC was

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[14] *Securities and Exchange Commission v. Court of Appeals*, G.R. Nos. 106425 & 106431-32, July 21, 1995, 246 SCRA 738, 740.

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tasked to do, and which it actually did, was to evaluate the 1979 STB presented to it. In ruling that the 1979 STB was validly registered the SEC Hearing Officer explained and ruled thus:

> After careful examination of the 1979 stock and transfer book, it has been observed that subject book was properly presented and stamped received by the then SEC employee in charge of registration. It is worthy to note that the signature of Ms. Nelly C. Gabriel appears to be genuine and validly executed on 25 September 1979 after comparing with Ms. Gabriel's signature on the available records on file with the Commission, existing stock and transfer books and other public documents.
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> This fact was further certified and attested by Ms. Angeli G. Villanueva, daughter of Ms. Nelly C. Gabriel, who is currently working with the Commission that the signature appearing in the 1979 stock and transfer book is unquestionably the signature of Ms. Gabriel.
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> WHEREFORE, premises considered and finding the 1979 stock and transfer book authentic and duly executed, the Commission hereby recall the certification issued on 6 August 2002 and cancel the stock and transfer book registered on October 2002. Accordingly, the stock and transfer book registered on 25 September 1979 shall remain valid.
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> SO ORDERED.[15]

We find the above ruling proper and within the SEC's jurisdiction to make.

Noteworthy, during the pendency of the instant petition, a decision[16] in the civil case was rendered by the RTC. On April 23, 2005, the RTC of Muntinlupa City, Branch 276, dismissed the claim of the Asistio group and declared the Marcelo group the duly constituted officers of PIRC, thus upholding the validity of the 1979-registered STB.

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[15] *Rollo*, pp. 358-359.

[16] Records, folder 17, pp. 44-80.

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WHEREFORE, the petition is *GRANTED*. The assailed Decision dated December 13, 2004 and Resolution dated February 3, 2005 of the Court of Appeals in CA-G.R. SP No. 77672, are *REVERSED* and *SET ASIDE*; the Order dated May 27, 2003, of the Securities and Exchange Commission (SEC) *En Banc* in CRMD-AA-Case No. 04-03-22 is *AFFIRMED*.

No pronouncement as to costs.

SO ORDERED.

Tinga, Reyes,[*] *Leonardo-de Castro,*[**] and *Brion, JJ.*, concur.

SECOND DIVISION

[G.R. No. 167310. June 17, 2008]

THE PENINSULA MANILA, ROLF PFISTERER and BENILDA QUEVEDO-SANTOS, *petitioners, vs.* **ELAINE M. ALIPIO,** *respondent.*

SYLLABUS

1. REMEDIAL LAW; APPEALS; FACTUAL FINDINGS OF QUASI-JUDICIAL AGENCIES GENERALLY ACCORDED RESPECT AND FINALITY WHEN SUPPORTED BY SUBSTANTIAL EVIDENCE; EXCEPTION. — It is doctrinal that the factual findings of quasi-judicial agencies like the NLRC are generally accorded respect and finality if such are supported

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[*] Additional member in place of Associate Justice Presbitero J. Velasco, Jr. who is on official leave.

[**] Additional member in place of Associate Justice Conchita Carpio Morales who is on official leave.