

**\*\*Title:\*\*** Securities and Exchange Commission vs. Marcos Pimentel

**\*\*Facts:\*\***

Nieves G. Argonza and Placida G. de los Reyes initially filed charges against Marcos Pimentel and Julia B. Pimentel, executory officers of the International Colleges, Inc., with the Securities and Exchange Commission (SEC) for violating Section 51 of the Corporation Law, which mandates corporations to maintain thorough business transaction records. Suspecting this violation, the SEC on December 13, 1948, ordered an examination of the corporation's books and records, subsequently issuing a subpoena duces tecum on December 20, 1948, to Marcos Pimentel. Pimentel refused to comply, and with Julia B. Pimentel, filed an opposition to the SEC's order, which the SEC overruled on January 11, 1949. The SEC's demand for compliance was again met with refusal, leading the SEC to file contempt proceedings against Pimentel in the Court of First Instance of Manila. The court found Pimentel guilty of contempt, fined him P50.00 with subsidiary imprisonment for insolvency, and ordered him to produce the specified records to the SEC. Pimentel appealed this decision.

**\*\*Issues:\*\***

1. Whether the SEC holds the authority to enforce all laws affecting corporations, including ordering the trial examination of international colleges, Inc.
2. Whether the SEC's power is limited only to matters concerning the registration of corporations and associations.
3. If under Section 51 of the Corporation Law, only stockholders or officers can demand the inspection of corporation's books.

**\*\*Court's Decision:\*\***

The Supreme Court affirmed the appealed decision, dismissing Pimentel's arguments. It clarified that the SEC is empowered not only with functions transferred from the Bureau of Commerce regarding the registration but also with the enforcement of all laws related to corporations and associations. This is a distinct, unqualified power allowing investigations for law enforcement. The objection that only the President of the Philippines can order such investigations, and the assumption that allowing the SEC's inquiry would lead to absurd overlapping of governmental functions, were both rejected. The Court deemed the investigation by the SEC lawful and within its granted authority.

**\*\*Doctrine:\*\***

The Securities and Exchange Commission is vested with the power to enforce all laws

affecting corporations and associations, which includes the authority to conduct necessary investigations. This power is distinct and unqualified from the duties transferred from the Bureau of Commerce, concerning the registration of corporations and associations. The provision in Commonwealth Act No. 287 that such power “shall in no manner affect the power now exercised by government bureaus or offices over certain classes of corporations” ensures no overlap in governmental functions.

**\*\*Class Notes:\*\***

- **\*\*Corporation Law (Section 51):\*\*** Mandates corporations to maintain detailed records of business transactions.
- **\*\*Commonwealth Act No. 287:\*\*** Expands the SEC’s authority beyond just matters of registration to enforcing all laws affecting corporations and associations. The SEC can conduct investigations as deemed necessary.
- **\*\*Subpoena Duces Tecum:\*\*** A legal instrument used to command someone to produce documents or records before a court.
- **\*\*Contempt of Commission:\*\*** Refusing to comply with a legal order from a commission (like the SEC) can lead to a contempt charge, resulting in fines or imprisonment.
- **\*\*Investigation Authority:\*\*** Not exclusive to the President of the Philippines. The SEC has statutory authority to investigate violations of the Corporation Law among others.

**\*\*Historical Background:\*\***

This case reflects the post-World War II era’s focus on institutional strengthening and regulatory oversight in the Philippines. In the context of rebuilding a country and ensuring corporate transparency and accountability, the SEC’s role was emphasized and expanded to enforce compliance with laws governing corporations. The expansion of the SEC’s powers through Commonwealth Act No. 287 underscores the government’s intent to safeguard economic and corporate practices from malfeasance, ensuring a healthier business environment in the Philippines.