

### Title:

\*\*Makati Stock Exchange, Inc. vs. Securities and Exchange Commission and Manila Stock Exchange\*\*

### Facts:

The Makati Stock Exchange, Inc. (petitioner) sought approval to operate a stock exchange but faced a resolution from the Securities and Exchange Commission (SEC, respondent) denying permission unless it agreed not to list securities already listed on the Manila Stock Exchange (MSE, co-respondent). The SEC's stance was based on a rule prohibiting double listing of securities across exchanges. The petitioner challenged this requirement, arguing the SEC had no right to impose such a restriction, labeling it illegal, discriminatory, and unjust. The SEC, justifying its decision for public interest, argued that operating multiple exchanges negatively impacts investor protection and contradicts public interest.

The case escalated through the procedural journey, with the Makati Stock Exchange challenging the SEC's resolution and invoking constitutional rights alongside allegations of the SEC overstepping its regulatory boundaries. Both parties filed their respective motions and petitions, leading to intense legal scrutiny at all judicial levels until the matter was brought before the Supreme Court for a decisive review.

### Issues:

1. Whether the SEC has the authority to prohibit the listing of securities on multiple exchanges.
2. If the SEC's rule against double listing serves public interest and investor protection.
3. Whether the SEC's resolution infringes upon constitutional rights and promotes a monopolistic market.

### Court's Decision:

The Supreme Court ruled in favor of the Makati Stock Exchange, Inc. The Court found that the SEC lacks explicit statutory authority to impose a prohibition on double listing of securities. It held that the general power to regulate does not imply the power to prohibit. Furthermore, the Court asserted that operating multiple exchanges does not inherently contradict public interest, pointing out the historical coexistence of multiple exchanges prior to the war and criticizing the monopolistic market the SEC's ruling would perpetuate. The decision was rooted in protecting constitutional rights, encouraging free enterprise, and recognizing the potential benefits of competition among exchanges for investors.

### Doctrine:

The principal doctrine established is that administrative bodies cannot impose restrictions or create rules that extend beyond their statutory power, particularly when such rules infringe upon constitutional rights and freedoms. Additionally, the decision underlines the significance of competition and market freedom over monopolistic practices in the securities trading domain.

### Class Notes:

- Administrative Regulation: Administrative bodies cannot expand their powers beyond what is expressly given by statute.
- Investor Protection: Public interest and investor protection do not inherently necessitate a monopoly in securities exchanges.
- Constitutional Rights: Regulations infringing on constitutional rights such as equality before the law, and the liberty to pursue lawful employment or business opportunities are subject to judicial review and possible invalidation.
- Monopoly and Competition: The existence of multiple stock exchanges, barring legislative prohibition, is permissible and can be favorable for market competition and investor choice.

### Historical Background:

Prior to this case, the trading of securities in the Philippines was governed by the Securities Act (Commonwealth Act No. 83, as amended), under which no stock exchange could operate without SEC registration. The rules against double listing were debated concerning their legality and impact on market fairness, competition, and investor options. Historically, the pre-war era saw multiple stock exchanges operating in Manila, which the SEC later sought to consolidate, culminating in this legal challenge. This ruling echoes the historical context of regulatory practices, emphasizing the balance between governmental oversight and the promotion of a free, competitive market environment.