

****Title:**** Philippine Stock Exchange, Inc. et al. v. Secretary of Finance, Commissioner of Internal Revenue, and Chairperson of the Securities and Exchange Commission

****Facts:****

On December 17, 2013, the Department of Finance (DOF), recommended by the Commissioner of Internal Revenue (CIR), issued Revenue Regulations No. 1-2014 (RR 1-2014), amending the Consolidated Withholding Tax Regulations (RR 2-1998 and RR 10-2008), introducing changes in the submission of the alphabetical lists (alphalists) of employees and payees for withholding tax purposes. The newly issued regulation required all withholding agents to submit digital copies of their alphalists, regardless of the number of their employees or payees.

On January 29, 2014, the CIR issued a clarificatory Revenue Memorandum Circular (RMC 5-2014), and subsequently, the Securities and Exchange Commission (SEC) also issued SEC Memorandum Circular No. 10-2014 (SEC MC 10-2014) directing further specifications for broker dealers, among others.

Several market participants, including the Philippine Stock Exchange, Inc. (PSE), banking and securities associations, and a corporation, collectively challenged these issuances. They filed a direct Petition for Certiorari and Prohibition with the Supreme Court, alleging the questioned regulations were unconstitutional due to violations of the right to due process, right to privacy, and the principle of non-impairment of contracts. They also argued these regulations exceeded the scope of authority of the respondents and contravened existing laws including tax, corporate, and data privacy laws.

The Supreme Court issued a Temporary Restraining Order (TRO) on September 9, 2014, prohibiting the enforcement of the questioned regulations.

****Issues:****

1. Whether petitioners have legal standing;
2. Whether the questioned regulations were issued with grave abuse of discretion amounting to lack or excess of jurisdiction by violating constitutional rights to due process and privacy;
3. Whether the SEC Chairperson had authority to issue SEC MC 10-2014;
4. Whether the DOF and the CIR, in including the prohibition on the use of "PCD Nominee" in RR 1-2014 and RMC 5-2014, acted outside their scope of authority;
5. Whether the requirement for the disclosure of the payees of dividend payments is vague

and unconstitutional;

6. Whether the questioned regulations violate the Bank Secrecy Law and expand the CIR's powers to inquire into bank accounts;

7. Whether the issuance of SEC MC 10-2014 constitutes impairment of contract.

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

The Court granted the Petition, striking down all the questioned regulations (RR 1-2014, RMC 5-2014, and SEC MC 10-2014) for being unconstitutional. It ruled that the regulations were void due to the infringement of the constitutional rights to due process and privacy, authority overreach by the SEC Chairperson and the Secretary of Finance and the CIR, among other grounds. The Court held that the petitioners had the legal standing to file the suit, primarily because they possessed a direct and substantial interest in the case as their business relies on investor transactions directly impacted by the assailed issuances. It also reiterated the necessity for government regulations concerning economic activities to be strictly conformant with constitutional mandates.

****Doctrine:****

1. Petitioners have legal standing when they can demonstrate a "sufficiently concrete interest" in the outcome of an issue in dispute.
2. Administrative regulations must not contravene the Constitution and must be issued following the requirements of due process.
3. The right to privacy is fundamental and requires any state action alleged to infringe upon it to be subjected to strict scrutiny.
4. Government agencies cannot exceed the authority granted to them by law, and their actions must be within the scope of their legally designated functions.

****Class Notes:****

1. Legal standing is determined based on the direct and personal interest of a party in the case.
2. The constitutional right to due process requires adherence to procedural fairness before depriving any person of life, liberty, or property.
3. The constitutional right to privacy protects individuals against unwarranted governmental intrusion into personal matters.
4. The doctrine of strict scrutiny applies when a government action impinges on a fundamental right, requiring the state to show a compelling interest and that the action is narrowly tailored to achieve its goal.
5. Administrative agencies are limited to the authority provided by the law, and any

regulation issued must be within the confines of such legal authority.

****Historical Background:****

This case underscores the tension between the need for government regulation in economic activities and the protection of constitutional rights. It highlights the precise roles and limits of administrative agencies in formulating rules affecting the financial market, emphasizing the necessity for such rules to conform to the overarching principles of due process, privacy, and legal authority. This decision reinforces the judiciary's role in reviewing administrative actions to safeguard constitutional rights, even in complex economic policy areas.