

**\*\*Title:\*\*** Securities and Exchange Commission vs. Subic Bay Golf and Country Club, Inc. and Universal International Group Development Corporation

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

This case revolves around a dispute concerning the sale of shares by Subic Bay Golf and Country Club, Inc. (SBGCCCI), which was developed by Universal International Group Development Corporation (UIGDC). The dispute began when Regina Filart and Margarita Villareal purchased shares from SBGCCCI, based on representations regarding the development of a world-class golf course and other amenities, which were allegedly not delivered. As a result, they demanded a refund. Their complaint was brought to the attention of the Securities and Exchange Commission (SEC), which ordered SBGCCCI and UIGDC to refund the payments for the shares.

SBGCCCI and UIGDC challenged the jurisdiction of the SEC, asserting that the dispute was intra-corporate and thus fell outside the SEC's purview following the transfer of jurisdiction over intra-corporate disputes to Regional Trial Courts (RTCs) designated as commercial courts under Republic Act No. 8799, or the Securities Regulation Code. The case ascended through various legal challenges, with the SEC maintaining that it retained the authority to investigate possible violations of administrative rules. Ultimately, the legal challenge reached the Supreme Court.

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

1. Whether the SEC retains the authority to investigate and sanction violations of its administrative rules despite the transfer of jurisdiction over intra-corporate disputes to RTCs.
2. Whether the SEC has the power to order the refund of payments for shares based on allegations of fraudulent misrepresentations in the sale of securities.

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

The Supreme Court ruled in favor of SBGCCCI and UIGDC, holding that the dispute was intra-corporate and therefore fell under the jurisdiction of RTCs designated as commercial courts. It further held that while the SEC retained regulatory and administrative authority to ensure compliance with the Securities Regulation Code and to protect the investing public from fraud, this authority did not extend to ordering refunds for the purchase of securities. The Court posited that issues regarding refunds are civil in nature and should be adjudicated by the courts, not the SEC. Thus, the SEC's order for a refund was declared void for exceeding its jurisdiction.

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

1. Jurisdiction over intra-corporate disputes lies with RTCs designated as commercial courts, not the SEC.
2. The SEC's regulatory and administrative authority does not extend to ordering refunds for the purchase of securities, as such matters are civil in nature and pertain to the court's jurisdiction.

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

- Intra-corporate disputes post-Republic Act No. 8799 belong to the jurisdiction of RTCs designated as commercial courts.
- The SEC possesses regulatory and supervisory authority over corporations to ensure compliance with laws, but its powers do not extend to the adjudication of civil disputes including refunds for securities purchases.
- The transition of jurisdiction from the SEC to RTCs does not eliminate the SEC's authority to investigate administrative violations.
- Key statutory provisions include Republic Act No. 8799 (Securities Regulation Code) and Presidential Decree No. 902-A for jurisdictional aspects of corporate disputes.

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

The shift of jurisdiction over intra-corporate disputes from the SEC to RTCs was effected by Republic Act No. 8799, reflecting a policy change aimed at streamlining the process for resolving these disputes and reinforcing the protection of investors in the securities market. This case underscores the ongoing evolution in the legal framework governing corporate governance and securities regulation in the Philippines, balancing the regulatory oversight of the SEC with the adjudicative functions of the judiciary.