

****Title:**** Carlos S. Palanca IV and Cognatio Holdings, Inc. vs. RCBC Securities, Inc., G.R. No. 230619, February 21, 2022

****Facts:****

Carlos S. Palanca IV and Cognatio Holdings, Inc. (Petitioners) maintained trading accounts with RCBC Securities, Inc. (RSI). In December 2011, RSI found that Mary Grace Valbuena, an RSI sales agent, was involved in unauthorized trading activities, leading to her termination and a P5,000,000.00 penalty imposed by the Market Regulation Department of the Philippine Stock Exchange (PSE-MRD) on RSI. Petitioners claimed to have been defrauded by Valbuena but RSI rejected their claims.

On June 5, 2012, petitioners demanded the return of their cash balances and stock positions, which RSI rejected, alleging Palanca had abetted Valbuena's actions and should have been more vigilant. Petitioners filed Specific Performance cases in Makati RTC, which were dismissed. They elevated the matter to the Supreme Court (G.R. Nos. 210107 and 212600), which resulted in dismissal due to procedural issues.

Cognatio filed a complaint with the SEC against RSI and Valbuena, while both petitioners sought the PSE's assistance for specific transaction records. The Capital Markets Integrity Corporation (CMIC), an independent regulatory arm of PSE, denied the requests, citing forum shopping, prescription, and res judicata.

Petitioners appealed to the SEC, which reversed CMIC, directing RSI to provide the requested documents. RSI appealed the SEC decision to the Court of Appeals (CA), which reversed the SEC's decision, supporting CMIC's grounds. Petitioners then sought review from the Supreme Court.

****Issues:****

1. Whether the Requests for Assistance filed by the petitioners with CMIC were in the nature of written complaints subject to the prescriptive period.
2. Whether the Requests were barred by res judicata.
3. Whether the petitioners committed deliberate forum shopping.

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

1. ****Prescription:****

- ****Issue:**** The Requests filed with CMIC were argued by RSI to be complaints subject to a six-month prescriptive period under CMIC rules.

- ****Ruling:**** Supreme Court ruled the Requests were simple administrative requests under

Article IX, Section 1 of CMIC Rules, which are not subject to a prescriptive period. They were not written complaints and hence not bound by the six-month prescriptive period.

2. **Res Judicata:**

- **Issue:** Whether the PSE-MRD decision and the dismissed RTC specific performance cases bar the Requests through res judicata.
- **Ruling:** The Court found the PSE-MRD decision dealt with RSI's administrative liability under securities rules but did not adjudicate on petitioners' specific contract rights, thus no res judicata. The specific performance cases were dismissed due to procedural issues (failure to plead actionable documents), not on substantive merits, hence res judicata does not apply.

3. **Forum Shopping:**

- **Issue:** Whether filing Requests for Assistance constituted forum shopping.
- **Ruling:** The Supreme Court ruled there was no forum shopping as the previous cases (PSE-MRD and RTC) involved different subject matters and roles for RSI. The Requests sought documents only, distinct from issues addressed in other cases.

Doctrine:

1. **Distinction between administrative requests and complaints:** Requests for specific records under Article IX, Section 1 of CMIC Rules are not subject to the CMIC's prescriptive period as they do not seek an investigation or imply any assertion of right violations but are administrative in nature.
2. **Res judicata and procedural dismissals:** Dismissals that are procedural and not on the merits do not bar refiling of cases and subsequent related actions are not barred by res judicata.

Class Notes:

- **Elements of Request for Records (Securities Law):** Understand the specific procedural rules for requesting records versus filing complaints.
- **Application of Prescription in Administrative Contexts:** Requests under certain administrative rules do not necessarily have prescriptive periods.
- **Res Judicata:** Elements include final judgment, jurisdictional competency, disposition on merits, and identity of parties, subject matter, and causes of action.
- **Forum Shopping Definition & Test:** Deterring repeated legal pursuit of the same issue across different forums.

****Historical Background:****

Post-1986 Philippine economy saw extensive privatization and deregulation, leading to the promotion of self-regulated markets. The Securities Regulation Code (SRC) institutionalized principles of self-regulation through entities like CMIC to alleviate the SEC's regulatory workload and bolster investor confidence. This case demonstrates the regulatory-concept application and procedural code interpretation within this framework, emphasizing transparency and investor protection as sought in the SRC's core principles.