

Title:

Pablo B. Roman Jr. and Matias V. Defensor vs. Securities and Exchange Commission, et al.

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Facts:

1. **April 23, 1996:** The Board of Directors of Capitol Hills Golf and Country Club, Inc. (Capitol) authorized its president, Pablo B. Roman, Jr., to acquire properties in Montalban, Rizal and enter into agreements with Ayala Land, Inc. (ALI).
2. **1996-2007:** Minority shareholders alleged various irregularities, fraud, and misrepresentation related to these transactions, including the premature release of loan proceeds to a third party, Pacific Asia Capital Corporation, and the non-completion of promised golf courses.
3. **May 8, 2007:** Minority shareholders filed a verified letter-complaint with the Securities and Exchange Commission (SEC) asking for an investigation and the appointment of a Management Committee (MANCOM).
4. **July 3, 2007:** The SEC notified Roman about the complaint, giving him 15 days to respond.
5. **Answer:** Petitioners Roman and Defensor challenged SEC's jurisdiction, arguing that the matter involved an intra-corporate controversy, which should be under the Regional Trial Court (RTC).
6. **December 5, 2007:** The SEC issued an order creating a MANCOM to oversee Capitol's affairs, citing its authority under the Securities Regulation Code (SRC) and Presidential Decree (PD) No. 902-A.
7. **Petition for Prohibition:** Petitioners filed a petition for prohibition before the Court of Appeals (CA), seeking to enjoin the SEC from further proceedings and to dissolve the MANCOM.
8. **November 30, 2010:** The CA dismissed the petition, affirming the SEC's actions. The petitioners' motion for reconsideration was denied on March 15, 2011.

9. **Supreme Court Petition:** The petitioners elevated the case to the Supreme Court.

Issues:

1. **Whether the SEC exceeded its jurisdiction in taking cognizance of the letter-complaint filed by the minority shareholders.**
2. **Whether the SEC's order creating the MANCOM was issued in excess of its jurisdiction.**

Court's Decision:

1. **SEC's Authority on the Letter-Complaint:**

- The Supreme Court found that the SEC had the authority to take cognizance of the letter-complaint under its supervisory, administrative, and regulatory functions.
- The Court cited Sections 5 and 53 of the SRC, which permits the SEC to regulate, investigate, and supervise corporate activities to ensure compliance with the law.
- Despite intra-corporate elements in the complaint, the SEC retains jurisdiction to investigate and take administrative actions to protect shareholders and ensure compliance with corporate laws.

2. **Creation of the MANCOM:**

- The SEC's constitution of the MANCOM was deemed appropriate under its regulatory and supervisory powers as outlined in SEC-MC No. 11, Series of 2003.
- The Supreme Court affirmed that creating a MANCOM is within the SEC's authority to prevent paralyzation of corporate operations, protect minority shareholders, and preserve corporate assets.
- The SEC's broad supervisory powers, including constituting management committees, were upheld as necessary implications of its regulatory functions.

Doctrine:

- **SEC's Regulatory Powers:** The SEC maintains the authority to regulate, investigate, and enforce compliance with corporate laws and regulations, even in cases that involve intra-corporate issues, provided it acts within the scope of its supervisory and administrative jurisdiction.
- **Creation of Management Committees:** The SEC can create management committees as part of its supervisory duties to prevent mismanagement, protect shareholders' interests, and ensure the continuity of corporate operations.

Class Notes:

- **Jurisdiction Over Intra-Corporate Controversies:** While RTCs have jurisdiction over intra-corporate disputes under the SRC, the SEC retains jurisdiction for administrative and regulatory oversight.
- **SEC's Supervisory Powers:** Sections 5 and 53 of the SRC empower the SEC to ensure compliance through investigations and administrative actions.
- **Management Committees:** Under SEC-MC No. 11, Series of 2003, the SEC can form management committees to shield companies and shareholders from potential risks due to corporate mismanagement.
- **P.D. No. 902-A, Section 5:** This serves as the legal foundation for the SEC's broader regulatory powers over corporations.

Historical Background:

- **Regulatory Framework:** The case contextualizes the regulatory framework shaping the SEC's jurisdiction and supervisory role, highlighting the evolution of the SEC's powers under various legislative mandates including the SRC and PD No. 902-A.
- **Corporate Governance and Protection:** It underscores the mechanisms available to regulatory bodies to protect minority shareholders and ensure responsible corporate management.
- **Judicial Interpretation:** The decision reflects judicial interpretation upholding regulatory agencies' authority to intercede in corporate matters to safeguard public and shareholder interests.