

**\*\*Title:\*\*** Queensland-Tokyo Commodities, Inc. v. Thomas George

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

1. Queensland-Tokyo Commodities, Inc. (QTCI) is a licensed broker for commodities trading. In 1995, Guillermo Mendoza, Jr. and Oniler Lontoc, both associated with QTCI, approached Thomas George, persuading him to invest with QTCI.
2. On July 7, 1995, George invested and signed a Customer's Agreement with QTCI through Charlie Collado, a representative. A Special Power of Attorney was executed by which George appointed Mendoza as his attorney-in-fact to trade and manage his account.
3. On June 20, 1996, the Securities and Exchange Commission (SEC) issued a Cease-and-Desist Order (CDO) against QTCI, alarming George, who then demanded a return of his investment, albeit unsuccessfully. He discovered Mendoza and Lontoc were unlicensed brokers.
4. On February 4, 1998, George filed a complaint for the recovery of his investments and damages against QTCI, Romeo Lau, Collado, Mendoza, and Lontoc with the SEC. Only QTCI, Lau, and Collado responded as the others could not be located.
5. The SEC Hearing Officer ruled in favor of George and ordered QTCI, Lau, and Collado to jointly and severally repay George for his investments and awarded damages and attorney's fees.
6. QTCI appealed to the SEC En Banc, which dismissed their appeal due to procedural lapses in verification.
7. QTCI further petitioned the Court of Appeals (CA), arguing the SEC dismissal and their non-violation of trading regulations. The CA dismissed the petition and upheld the SEC's decision.

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

1. Whether the petitioners knowingly allowed an unlicensed trader to handle the account of Thomas George, thus violating regulations.
2. Whether the petitioners, particularly Lau and Collado, should be held personally liable for the damages awarded to George.

**Court's Decision:**

1. **On Unlicensed Trading:**

- The Supreme Court affirmed the findings of the SEC and CA that QTCI allowed an unlicensed broker, Mendoza, to handle the future trades of George. The appellants' arguments were found unconvincing given the Customer Agreement which specified only a licensed dealer could manage accounts.

2. **On Personal Liability:**

- Regarding Lau and Collado's personal liability, the Court upheld the SEC's decision that directors and officers can be held responsible when they assent to unlawful acts or show gross negligence. Collado's failure to adhere to due protocols by recognizing Mendoza as attorney-in-fact and Lau's managerial negligence warranted their personal liability.

3. **On Damages:**

- The Supreme Court modified the awards for moral and exemplary damages due to their excessive nature, reducing them respectively from P100,000.00 to P50,000.00 and from P50,000.00 to P30,000.00.

**Doctrine:**

- The ruling reinforced the principle that corporate officers may be held personally liable when they endorse unlawful corporate acts. Under the corporation code and established guidelines, knowing facilitation of illegal activities breaches fiduciary responsibilities.

- Contracts indulged by unlicensed individuals in futures trading are void and contravene Revised Rules on Commodity Futures Trading pursuant to Batas Pambansa Blg. 178. Parties are subject to return what they have received under such null contracts if they are without fault.

**Class Notes:**

- **Elements of Liability for Corporate Officers:**

1. Assent to unlawful act.
2. Gross negligence in corporate duties.
3. Written agreement to personal liability.
4. Specific legal provision establishes personal responsibility.

- **Statutes:**

- Batas Pambansa Blg. 178 on invalidating unauthorized or unlicensed market activities.
- Article 1412 of the Civil Code and Securities Regulation on recovery provisions for void contracts.

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

- The case sits within the context of tightened securities regulations in the 1990s Philippines, meant to curb unauthorized and speculative trading activities that risked investors' fortunes, a trend bolstered by past financial scandals. This case serves as a legal benchmark emphasizing adherence to regulatory compliance in commodities trading.