

### Title:

First Philippine Holdings Corporation v. Securities and Exchange Commission: The Reasonableness of Corporate Filing Fees

### Facts:

First Philippine Holdings Corporation (FPHC), registered with the Securities and Exchange Commission (SEC) since June 30, 1961, sought to extend its corporate term and amended its Articles of Incorporation (AOI). The SEC, referencing SEC Memorandum Circular No. 9, Series of 2004, assessed a P24,000,000.00 filing fee for this amendment. FPHC paid this fee under protest and initiated legal actions challenging the reasonableness and legality of the fee, asserting that it was excessive and arbitrary.

The case journeyed through the administrative and judicial hierarchy beginning with FPHC's payment under protest and subsequent Position Paper filed with the SEC, moving to an appeal with the SEC en banc, which upheld the fee as a legitimate exercise of regulatory power. FPHC then escalated the matter to the Court of Appeals (CA), which dismissed its petition, leading to the final appeal to the Supreme Court on grounds that the fee imposed was excessive, constituted an unauthorized tax, and violated due process.

### Issues:

1. Whether the SEC is authorized to prescribe rates for incorporation and other fees.
2. Whether the P24,000,000.00 fee for extending a corporation's term is unreasonable, patently oppressive, and confiscatory.

### Court's Decision:

The Supreme Court granted partial merit to the petition. It affirmed the SEC's authority to prescribe fees for such amendments, under the purview of laws like the Corporation Code and the Securities Regulations Code. However, it found the specific rate applied to FPHC for extending its corporate term—based on 1/5 of 1% of its authorized capital stock—to be unreasonable and beyond the bounds of administrative discretion, effectively making the fee for FPHC's term extension invalid and requiring a substantial refund.

### Doctrine:

1. **\*\*Authority of SEC to Prescribe Fees:\*\*** The SEC is authorized to prescribe fees for the filing and amendment of the AOI, including the extension of corporate terms, as part of its regulatory functions.
2. **\*\*Reasonableness Required:\*\*** Fees imposed by regulatory bodies must be reasonable,

fair, and commensurate with the services provided. They must not be excessive, confiscatory, or oppressive.

**### Class Notes:**

- **\*\*Administrative Regulations:\*\*** The case reaffirms the authority of administrative agencies like the SEC to promulgate regulations and impose fees necessary for their function but stresses the importance of such fees being reasonable and not arbitrary.
- **\*\*Due Process in Regulatory Fees:\*\*** Regulatory fees must be fair, just, and aligned with the cost of the regulatory service provided. Excessive fees that do not bear a reasonable relationship to the cost of services rendered are deemed violative of due process.
- **\*\*Corporate Term Extension Fee:\*\*** The specific case illustrates that fees related to corporate actions, such as term extensions, must be carefully examined for reasonableness and must not impose undue financial burdens on corporations.

**### Historical Background:**

This case reflects the evolving regulatory landscape for corporations in the Philippines, catering to the balance between ensuring adequate regulatory oversight and not stifling corporate growth with unreasonable fees. It underscores the judiciary's role in scrutinizing the extent of administrative discretion and protecting corporate rights against regulatory overreach.