

SECURITIES AND EXCHANGE COMMISSION, PETITIONER AND APPELLEE, VS. MARCOS PIMENTEL, RESPONDENT AND APPELLANT.

G.R. No. L-4228. January 23, 1952

Ponente: PARAS, C.J.

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PARAS, C.J.:

Nieves G. Argonza and Placida G. de los Reyes filed with the Securities and Exchange Commission certain charges against Marcos Pimentel and Julia B. Pimentel, president and treasurer respectively of the International Colleges, Inc. As the Commission was inclined to believe that the complaint involved a violation of Section 51 of the Corporation Law, which requires corporations to "keep and carefully preserve a record of all business transactions," it ordered on December 13, 1948, a trial examination of the books and record of accounts of the International Colleges, Inc. Accordingly, the Commission, through its duly authorized representatives, issued on December 20, 1948, a subpoena duces tecum commanding Marcos Pimentel to deliver to the office of the Commission on December 21, 1948, in the morning, the books and records of the International Colleges, Inc., specified in the subpoena and under the control and possession of Marcos Pimentel. The latter refused and failed to comply and, on December 23, 1948, he and Julia B. Pimentel filed with the Commission an opposition to the order of December 13, 1948, directing the trial examination. This opposition was overruled by the Commission in its order of January 11, 1949, in which the Commission directed compliance with any lawful requirement of its chief examiner designated to conduct the trial examination. On January 18, 1949, the representative of the Commission went to the office of Marcos Pimentel and demanded from the latter the production, for examination, of the books and records' of accounts specified in the subpoena issued on December 20, 1948, but Marcos Pimentel again refused to comply with the requirement.

The present proceeding was thereupon filed with the Court of First Instance of Manila by the Securities and Exchange Commission which prayed the court to declare Marcos Pimentel in contempt of the Commission. After hearing, that court rendered a decision finding respondent Marcos Pimentel guilty of contempt and imposing upon him a fine of P50.00, with subsidiary imprisonment in case of insolvency, plus the costs, and ordering said respondent to produce before the Commission or its representative, at any time and place to be designated by the Commission, the books and records of accounts specified in the subpoena issued on December 20, 1948. From this decision respondent Marcos Pimentel has appealed.

There is no question that the charges filed by Nieves G. Argonza and Placida G. de los Reyes with the Securities and Exchange Commission tend to show that the International Colleges, Inc., of which the respondent is the president, committed a violation of Section 51 of the Corporation Law which requires corporations to keep and preserve a record of all business transactions. The Securities and Exchange Commission predicates its power to order the trial examination in question upon section 1 of Commonwealth Act No. 287 which provides as follows:

"The powers, duties and functions now vested in, or performed and exercised by, the Bureau of Commerce in connection with the registration of corporations and all other forms of association are transferred to the Securities and Exchange Commission. The Securities and Exchange Commission shall be charged with the

enforcement of all laws affecting corporations and associations, and to this end, may conduct such investigations as it may consider necessary: Provided, That the power herein conferred shall in no manner affect the power now exercised by government bureaus or offices over certain classes of corporations. In the exercise of the power of investigation, the provisions of section thirty-one of Commonwealth Act Numbered Eighty-three, creating the Securities and Exchange Commission, including the penalties therein provided, shall be applicable."

Respondent-appellant contends that the power conferred upon the Securities and Exchange Commission by Commonwealth Act No. 287 to enforce all laws affecting corporations and associations, refers only to matters relating to the registration of corporations and all other forms of associations; and reliance is placed upon the first sentence of the section above quoted, as well as upon section 2 of said Commonwealth Act No. 287 which provides that "All books, records, documents, and files of the Bureau of Commerce relating to corporations and associations, and such personnel of the aforesaid Bureau as is now discharging the functions or performing the duties of the Bureau of Commerce in connection with the registration of corporations and associations, together with the corresponding appropriations, are transferred to the Securities and Exchange Commission and the Budget Commissioner shall make immediate provision for such transfer.

Appellant's contention is clearly without merit. Under section 1 of Commonwealth Act No. 287, the Securities and Exchange Commission is (1) entrusted with the powers, duties and functions theretofore performed and exercised by the Bureau of Commerce in connection with the registration of corporations and all other forms of association, and (2) charged with the enforcement of all laws affecting corporations and associations, with the exception that the power now exercised by other bureaus or offices over certain classes of corporations shall remain unaffected. The second power is plainly unqualified and distinct from the powers transferred from the Bureau of Commerce to the Securities and Exchange Commission, and it is not here, pretended that the power to investigate a violation of section 51 of the Corporation law is vested in or exercised by another bureau or office.

The fact that only the records, files and personnel of the Bureau of Commerce relating to the registration of corporations and associations have been transferred to the Securities and Exchange Commission, does not prove that the new power vested in the Commission to enforce all laws affecting corporations has reference merely to registration, since no claim is made that the Bureau of Commerce is presently charged with said duty.

Respondent-appellant contends that, under section 51 of the Corporation Law, only stockholders or officers of a corporation have the right to inspect or examine its books, and that to permit the examination in question would be an indirect way of permitting Nieves G. Argonza and Placida G. de los Reyes (who are not stockholders) to examine the records of the International Colleges, Inc. We cannot agree, since the examination would be carried out by the Securities and Exchange Commission under the authority conferred by law, and it is to be presumed that the Commission will perform its duty legitimately.

Respondent-appellant also argues that only the President of the Philippines can order the investigation of a corporation which violates section 51 of the Corporation Law. While the President possesses the visitorial power over any corporation (Secs. 54-55, Corporation Law), said power is not exclusive and does not impair the function of the Securities and Exchange Commission under Commonwealth Act No. 287 in relation to the enforcement of all laws affecting corporations and associations.

There is no reason for supposing, as respondent-appellant does, that to interpret Commonwealth Act No. 287 as conferring upon the Securities and Exchange Commission the duty of enforcing all laws affecting corporations generally, and not merely as regards matters of registration, would lead to absurd results, in that there are diverse laws pertaining to corporations which are enforced actually by other bureaus and instrumentalities of the Government. Possible clashes or overlapping of functions and powers, which may lead to absurdity,

inconvenience or confusion, have been easily forestalled by Commonwealth Act No. 287 by providing that the authority newly conferred upon the Securities and Exchange Commission "shall in no manner affect the power now exercised by government bureaus or offices over certain classes of corporations." At any rate, it is not even suggested that the function being exercised by the Commission in this case pertains to another bureau or office.

Wherefore, the appealed decision is affirmed with costs. So ordered.

Feria, Pablo, Bengzon, Padilla, Tuason, Montemayor, Reyes, Jugo, and Bautista Angelo, JJ., concur.

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