

****Title:****

Philippine Stock Exchange, Inc. vs. Court of Appeals, Securities and Exchange Commission, and Puerto Azul Land, Inc.

****Facts:****

- ****January 1995****: Puerto Azul Land, Inc. (PALI), a domestic real estate corporation, seeks to publicly offer its shares to raise funds.
- ****Permit to Sell****: The Securities and Exchange Commission (SEC) grants PALI a permit to sell shares.
- ****February 8, 1996****: PALI files its application to list shares on the Philippine Stock Exchange (PSE). The PSE's Listing Committee recommends approval.
- ****February 14, 1996****: The Board of Governors at PSE receives a letter from the heirs of Ferdinand Marcos, claiming ownership of properties associated with PALI. The Board defers action on PALI's application and requests PALI's comment.
- ****PALI's Response****: PALI asserts that disputed properties are owned by other entities and the disputed Ternate Development Corporation owns only 1.20% of PALI.
- ****February 20, 1996****: The PSE writes to the Presidential Commission on Good Government (PCGG) for comments on the Marcoses' claim.
- ****March 4, 1996****: TRO issued by RTC of Pasig City enjoins Marcoses from interfering with PALI's application.
- ****March 27, 1996****: PSE Board rejects PALI's application, citing serious issues concerning PALI's asset ownership.
- ****April 11, 1996****: PALI requests the SEC to review PSE's rejection.
- ****April 24, 1996****: SEC orders PSE to list PALI's shares on the exchange.
- ****April 29, 1996****: PSE files a motion for reconsideration with the SEC.
- ****May 9, 1996****: SEC denies PSE's motion and reiterates order to list PALI's shares.
- ****May 17, 1996****: PSE petitions the Court of Appeals challenging SEC's orders.

- **June 27, 1996**: Court of Appeals dismisses PSE's petition, affirming SEC's authority to oversee PSE's decisions and orders PSE to list PALI's shares.

- **Supreme Court**: PSE petitions the Supreme Court for a review of the Court of Appeals' resolution.

Issues:

1. Did the SEC have the jurisdiction and authority to order the PSE to list PALI's shares?
2. Did the PSE act in bad faith by rejecting PALI's listing application?
3. Are the properties of PALI subject to unresolved ownership claims, impact the listing suitability on the PSE?
4. Does the full disclosure policy implemented by the SEC contravene the Revised Securities Act and the principle of business judgment rule?

Court's Decision:

1. **SEC's Jurisdiction and Authority**:

- The Supreme Court ruled that the SEC indeed has jurisdiction and regulatory powers over the PSE as affirmed by the Revised Securities Act and Presidential Decree No. 902-A. However, the Court finds that the SEC can only interfere with PSE's management decisions if there is proof of bad faith or arbitrariness.

2. **PSE's Bad Faith**:

- There was no sufficient evidence of bad faith on the part of PSE. The concerns regarding ownership claims by the Marcos estate raise legitimate doubts about PALI's asset validity, justifying PSE's decision to reject the application.

3. **Ownership Claims**:

- The Court acknowledges the unresolved issues regarding the Marcos claims and the sequestration orders on the properties associated with PALI. This uncertainty about asset ownership made PALI's application unsuitable for listing in the stock exchange.

4. **Full Disclosure Policy**:

- The Court noted that although the SEC's full disclosure policy is approved by laws, the PSE's rejection was justified under the Revised Securities Act, which allows rejecting securities that could potentially defraud investors.

Doctrine:

- The SEC's oversight over stock exchanges is recognized, but its intervention is limited to cases of evident bad faith or contravention of laws by the stock exchange.
- The Revised Securities Act emphasizes protecting the investing public against fraudulent securities, supporting the PSE's discretionary power to refuse applications based on asset ownership disputes and potential fraud.

****Class Notes:****

- ****Key Elements/Concepts**:**

- ****SEC Jurisdiction**:** Encompasses supervisory and regulatory authority over all corporations, including stock exchanges.
- ****Business Judgment Rule**:** Courts typically do not interfere with the business decisions of a corporation if made in good faith.
- ****Revised Securities Act**:** Details the grounds for rejecting the registration of a security, emphasizing protection against fraud.

- ****Statutory Provisions**:**

- ****Section 3, Presidential Decree No. 902-A**:** SEC's jurisdiction over corporations.
- ****Section 9, Revised Securities Act**:** Lists grounds for rejecting securities registration, focusing on accuracy in documentation, solvency, fraudulent activities, and honesty.

****Historical Background:****

- The case stems from the larger context of the Marcos estate's contentious issues post-EDSA Revolution and the ensuing sequestration orders by the PCGG aiming to recover ill-gotten wealth. The claims by the Marcos family and responses by entities involved, including the government, significantly impact corporate decisions and legal proceedings regarding property and asset ownership, reflecting the gravity and complexity of ownership and control disputes over assets tied to the former regime.