

**\*\*Title\*\***: Abacus Securities Corporation vs. Ruben U. Ampil

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

1. In April 1997, Ruben U. Ampil opened a cash account with Abacus Securities Corporation for buying and selling securities on the Philippine Stock Exchange.
2. Ampil actively traded his account, accumulating an outstanding obligation of PHP 6,617,036.22 by April 30, 1997, due to unpaid stock purchases made from April 10 to 30, 1997.
3. Despite the contractual requirement to settle each purchase within three to four days (T+3/T+4), Ampil failed to pay his obligations, prompting Abacus to sell securities to offset the debt. After these sales, Ampil still owed PHP 3,364,313.56.
4. Abacus, through legal counsel, demanded full payment plus penalties from Ampil, who acknowledged the obligation but requested additional time to pay.
5. No payment was forthcoming, so Abacus filed a suit to recover the remaining debt.
6. Ampil's defense centered on the claim that he had been allowed by Abacus to engage in offset settlements, which induced him to trade without immediate payment based on settlement flexibility extended by Abacus.
7. Ampil claimed ignorance of the requirement to liquidate or pay transactions within T+3 or T+4, asserting Abacus did not enforce these rules or require collaterals.

**Procedural Posture**:

1. The trial court (RTC Makati Branch 57) held that both parties violated the Revised Securities Act and ruled that they were in *pari delicto*, barring any recovery by Abacus.
2. The Court of Appeals affirmed this ruling, emphasizing Abacus's responsibility for allowing unregulated trading to continue, thereby also finding the parties in *pari delicto*.
3. Abacus sought relief from the Supreme Court of the Philippines under Rule 45 of the Rules of Court.

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

1. Whether the *pari delicto* principle applies, thereby barring recovery by Abacus for Ampil's outstanding obligations.
2. Whether the trial court had jurisdiction to rule on the alleged violations of the Revised Securities Act in their contractual dispute.

**\*\*Court's Decision\*\***:

1. **\*\*Applicability of the *Pari Delicto* Rule\*\***:
  - The Supreme Court found that *pari delicto* was only applicable to transactions after April

10 and 11, the dates when Ampil failed to meet the payment period prescribed by the Revised Securities Act.

- For obligations arising from the initial trading on April 10 and 11, the Court determined these were valid and Ampil was liable despite the subsequent regulatory breaches by both parties.
- The Supreme Court held that Abacus could recover the deficit from trades up to April 11, considering the brokerage's failure to apply proper RSA-mandated liquidation responsibilities.

## 2. **Trial Court Jurisdiction**:

- The Supreme Court confirmed the trial court's jurisdiction since the RSA provisions could be read into the contractual agreement between Abacus and Ampil.
- The court emphasized that jurisdiction is determined by the plaintiff's cause of action which, in this instance, was framed by the brokerage agreement.

## **Doctrine**:

1. Brokers have an obligation to cancel unpaid securities purchases within the specified T+3 period, failing which they assume specific statutory and contractual liabilities.
2. The *pari delicto* doctrine prevents parties equally at fault from claiming judicial relief, but it does not apply to enforceable contractual and statutory initial obligations predating the mutual fault.
3. Securities regulations are inferred into contractual undertakings to guide compliance and jurisdiction assessment.

## **Class Notes**:

- **Securities Law**: Parties must adhere to T+3 settlement requirements; failure invokes statutory liability.
- **Pari Delicto**: Bars recovery for transactions executed in mutual violation; exceptions exist for initial valid obligations.
- **Jurisdiction Principles**: Legal suits are determined by the cause of action, not defenses; securities law can be integral to contractual interpretation.
- **Agency in Brokerage**: An agent-broker is responsible for enforcing laws and contractual terms with clients, even at their own peril for non-compliance.

## **Historical Background**:

The case underscores the legally evolved framework of securities trading in the Philippines, then governed by the Revised Securities Act (later replaced by the Securities Regulation

Code). Securities regulations in the Philippines were deeply influenced by American legislative structures due to colonial legacy, with primary statutes modeled after U.S. federal law to ensure economic stability and investor protection. The case reflects regulatory adjustments made in response to economic challenges and capital market behaviors observed in the late 20th century.