Republic of the Philippines
Department of Finance
Securities and Exchange Commission
COMMISSION EN BANC

IGC SECURITIES, INC.,
Appellant,

-versus-

CAPITAL MARKETS INTEGRITY CORPORATION,
Appellee,

SEC En Banc Case No. 10-20-476
For: Violations of Capital Markets Integrity Corporation Rules and Securities Regulation Code

x---x

IGC SECURITIES, INC.,
Appellant,

-versus-

CAPITAL MARKETS INTEGRITY CORPORATION,
Appellee.

SEC En Banc Case No. 12-20-479
For: Violations of Capital Markets Integrity Corporation Rules and Securities Regulation Code

Promulgated: 19 August 2025

x---x

DECISION

Before this Commission are the: (a) *Entry of Appearance with Memorandum of Appeal (In re: Decision dated 18 August 2020)* dated 25 September 2020 (docketed as SEC *En Banc* Case No. 10-20-476) [the "First Appeal"], filed by IGC Securities, Inc. (IGC Securities), praying for the reversal and the setting-aside of the Resolutions dated 16 December 2019 and 18 August 2020 (collectively, the "First Assailed Resolutions") issued by the Capital Markets Integrity Corporation (CMIC); and (b) the *Memorandum of Appeal (In re: Decision dated 5 December 2020)* dated 17 November 2020 (docketed as SEC *En Banc* Case No. 12-20-479) [the "Second Appeal"] filed by IGC Securities praying for the reversal and the setting-aside of the Resolutions dated 25 August 2020 and 15 September 2020 (collectively, the "Second Assailed Resolutions") issued by the CMIC.

The dispositive portion of the Resolution dated 18 August 2020 which affirmed the Resolution dated 16 December 2019, reads:

> **RESOLVED FURTHER**, That the Board of Directors of the Corporation affirm, as it hereby affirms, the imposition of the following penalties on IGC Securities for the following violations:

Rule Violated	Penalty
IGC Securities' *first* violation of Article VI, Section 1(a), (b)(i)(ii)(a) of the CMIC Rules	Thirty Thousand Pesos (Php30,000.00)
IGC Securities' *first* violation of Article VI, Section 1(b)(v) of the CMIC Rules, in relation to Rule 52.1.8 of the 2015 SRC Rules	Thirty Thousand Pesos (Php30,000.00)
IGC Securities' *first* violation of Article VI, Section 1(b)(iv)(c) of the CMIC Rules	Thirty Thousand Pesos (Php30,000.00)
IGC Securities' and its Associated Person's *second* violation of Article VI, Section 2 of the CMIC Rules	Fifty Thousand Pesos (Php50,000.00)
IGC Securities' violation of Article V, Section 1(a), (e), and (f) of the CMIC Rules	Thirty Thousand Pesos (Php30,000.00)
IGC Securities' *first* violation of Article V, Section 2 of the CMIC Rules	Thirty Thousand Pesos (Php30,000.00)
IGC Securities' *first* violation of Article XI-B, Section 1(h) of the CMIC Rules	Written reprimand and Two Hundred Thousand Pesos (PhP200,000.00)

> **RESOLVED FINALLY**, That the Board of Directors of the Corporation affirm, as it hereby affirms, the joint and several liability of IGC Securities with its Associated Person relative to the penalty imposed.

On the other hand, the dispositive portion of the Resolution dated 15 September 2020,[1] which affirmed the Resolution dated 25 August 2020, in part, reads:

> **RESOLVED FINALLY**, That the Board of Directors of the Corporation affirm, as it hereby affirms, the imposition of the following penalties on IGC Securities for the following violations:

Rule Violated	Penalty
IGC Securities' *second* violation of Article VI, Section 1(a), (b)(i)(ii) of the CMIC Rules	A fine in the amount of THIRTY THOUSAND PESOS (Php30,000.00)

[1] Resolution No. 32, Series of 2020.

IGC Securities' *third* violation of Article VI, Section 1(a), (b)(i)(ii) of the CMIC Rules	A fine in the amount of FIFTY THOUSAND PESOS (Php50,000.00)
IGC Securities' *second* violation of Article VI, Section 1(b), (b)(vi)(c) of the CMIC Rules	A fine in the amount of THIRTY THOUSAND PESOS (Php30,000.00)
IGC Securities' *second* violation of Article V, Section 2 of the CMIC Rules	A fine in the amount of THIRTY THOUSAND PESOS (Php30,000.00)

PARTIES

Appellant IGC Securities is a corporation duly organized and existing under Philippine laws, having been issued a Certificate of Incorporation with Registration No. AS93009203 on 24 November 1993. It is licensed to operate as a broker-dealer in securities, having been issued a Certificate of Registration bearing No. 01-2004-00072. Its principal place of business is at Suite 1006, Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

Appellee, the CMIC, is a domestic corporation duly organized and existing under Philippine laws, having been issued a Certificate of Incorporation with SEC Registration No. CS201104274. CMIC is licensed to act as a Self-Regulatory Organization (SRO) whose mandate is to maintain the integrity of the capital market and minimize the risk of the investing public by ensuring that trade participants comply with applicable rules and regulations. Its principal place of business is at the 10/F PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City.

The factual antecedents borne in the records show that the First Appeal and Second Appeal resulted from the transactions, and the actions involving the ARA Accounts which the IGC Securities facilitated and/or carried out. In particular, the letter-complaint filed by Antonio Sebastian Araneta (Antonio) against IGC Securities on 27 June 2019 resulted in the institution of two (2) different actions: *first* is the action that was commenced and prosecuted by Antonio himself as the complainant, and *second*, is the action instituted by the Investigation and Enforcement Department of the CMIC (IED-CMIC) *motu proprio*, based on the complaint of Antonio which is sanctioned under the CMIC Rules.[2]

---

[2] Section 1, Article II of the CMIC Rules.

Considering that the First Appeal and Second Appeal present the same questions of law, and are anchored on the same or similar acts/omissions of IGC Securities which allegedly constitute violations of the relevant provisions of the CMIC Rules, the consolidation of the same is warranted, which is what this Commission effected herein, applying Section 1 Rule 31[3] of the Rules of Court suppletorily.[4]

RELEVANT FACTS

THE FIRST APPEAL

On 23 August 2017, Antonio executed an Investment Advisory Agreement[5] (the "Agreement") with IGC Securities pursuant to which, Antonio caused the initial fund transfer of Pesos: Two Hundred Million (PhP200,000,000.00),[6] and shares of stock valued at about Pesos: Thirty-Four Million (PhP34,000,000.00) from BPI Securities Corp. (BSC) to IGC Securities.[7]

In carrying out the provisions of the Agreement, three (3) ARA Accounts (referred to collectively as the "ARA Accounts") with IGC Securities were involved, to wit: (a) ARA-3386 (the "First ARA Account"), the main account used to monitor the model portfolio provided in the Agreement, (b) ARA-3386A (the "Second ARA Account"), a sub-account created by IGC Securities pursuant to an alleged unsigned letter of Leon Cruz Araneta (Leon) to monitor withdrawals from Leon's Metrobank Money Market Fund;[8] and (c) ARA-3386B (the "Third ARA Account"), another sub-account created by IGC Securities which was intended for the securities that came from BSC.[9]

On 19 October 2018, Antonio signed a Letter dated 18 October 2018 (the "Authorization Letter") where he authorized Leon and Baltazar B. Araneta (Baltazar) to act jointly in relation to the ARA Accounts.[10]

---

[3] "Section 1. *Consolidation. When actions involving a common question of law or fact are pending before the court, it may order a joint hearing or trial of any or all the matters in issue in the actions; it may order all the actions consolidated; and it may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay.*"

[4] SEC. 1-6, Rule I Part I of the 2016 Rules of Procedure of the Securities and Exchange Commission provides that: "*The pertinent provisions of the Rules of Court may, in the interest of expeditious dispensation of justice and whenever practicable, be applied by analogy or in a suppletory character and effect.*"

[5] Comment to Memorandum of Appeal dated 3 November 2020; Annex "1".

[6] *Ibid.* Annex "1-A" (Official Receipt showing payment/deposit of the amount to IGC Securities).

[7] *Ibid.* Pars. 1 and 2.

[8] See *Resolution dated* 16 December 2019 Page 12.

[9] *Ibid.* See also *Resolution* dated 25 August 2020. Pages 2 and 3.

[10] Comment to Memorandum of Appeal dated 3 November 2020, Par. 6; (see Annex "2).

On 19 June 2019, Antonio, through a Letter[11] (the "Notice of Termination") sent to IGC Securities, terminated the Agreement; requested for a Certificate of Holdings and Cash Positions on the ARA Accounts; and instructed IGC Securities to transfer all the shares and cash under his ARA Accounts to BSC. The decision to terminate the Agreement came about after IGC Securities failed to provide Antonio with any report/update on his ARA Accounts.[12]

Pursuant to the instruction of Antonio in the Termination Letter, BSC formally demanded from IGC Securities the transfer of Antonio's shares under the ARA Accounts.[13]

On 27 June 2019, Antonio filed with the CMIC a letter-complaint (the "Complaint") against IGC Securities for the latter's alleged: (a) failure to comply with his instructions and requests involving his account, *i.e.* transfer of shares and cash positions to BSC; (b) breach of the Agreement; and (c) failure to provide invoices and reports.[14]

On the basis thereof, the CMIC, in its letter dated 01 July 2019 (the "Show Cause Letter"), directed IGC Securities to show cause why it should not be penalized for violating the relevant provisions of the CMIC Rules. The CMIC initially found that IGC Securities violated: (a) the Ethical Standards Rule under Article VI, Section 1(a), (b)(i)(ii)(a), and Section 1(b)(v) of the CMIC Rules; (b) the provisions on Trading Related Irregularities under Article XI-B, Section 1(h) of the CMIC Rules; (c) the Code of Conduct and Professional Ethics for Traders and Salesmen under Article V, Section 1(a), (e) and (f) and Section 2 of the CMIC Rules; and (d) the Rules on Supervision under Article VI, Section 2 of the CMIC Rules.

In its undated letter,[15] IGC Securities denied having violated the CMIC Rules, and maintained that the Complaint was instigated and propagated by Baltazar to malign its reputation. In particular, IGC Securities maintained that since the ARA Accounts are joint accounts of Antonio and Leon, the latter had authority to enter into binding transactions involving the same. IGC Securities argued that it cannot also be held liable for breach of the Agreement requiring observance of approved risk management limits since it was submitting regular monthly reports to Leon. IGC Securities also maintained that the

---

[11] *Ibid.* Par. 8 (see Annex "3").
[12] *Ibid.* Par. 7.
[13] *Ibid.* Par. 9. See also Memorandum of Appeal dated 25 September 2020. Par. 3.16.
[14] *Ibid.* Par. 10. (see Annex "4").
[15] *Memorandum of Appeal* dated 25 September 2020. Annex "N".

administrative case, which is anchored on the Complaint, is dismissible on the ground of *litis pendencia* considering that the CMIC has already issued a Resolution finding it liable for the same violations of the CMIC Rules.

In his Letter-Reply dated 7 August 2019,[16] Antonio claimed that he is the sole owner of the ARA Accounts, contrary to the allegation of IGC Securities; and the latter's failure to comply with the terms of the Agreement which resulted in losses, as well as its act in recognizing and allowing Leon to *solely* carry-out transactions involving the same constitute a violation of the CMIC Rules. Antonio equally took exception at IGC Securities' failure to comply with his instruction relating to the termination of the Agreement notwithstanding the lapse of more than thirty (30) days from its receipt of the same.

IGC Securities filed its Rejoinder dated 4 September 2019[17] where it essentially reiterated its defenses. IGC Securities emphasized therein that Antonio's advanced age which rendered him incompetent to personally handle his affairs allegedly prompted him to introduce Leon as the person who will be helping him in managing his accounts.

Finding no merit in the arguments proffered by IGC Securities, the CMIC issued a Resolution dated 16 December 2019 imposing upon the former the appropriate penalties for violating the relevant provisions of the CMIC Rules. The CMIC found that the ARA Accounts were the single account of Antonio; hence, the act of IGC Securities in modifying certain entries/records to make them appear as joint accounts of Antonio and Leon; its transfer of stocks and money position from the ARA Accounts to the individual account of Leon; and its failure to comply with the instructions of Antonio, as well as the terms of the Agreement, constitute a violation of the CMIC Rules.

IGC Securities, through counsel, filed a Formal Entry of Appearance with Motion for Reconsideration dated 07 January 2020, therein seeking the reversal and the reconsideration of the CMIC's earlier Resolution for lack of merit. In support thereof, IGC Securities essentially reiterated its earlier allegations and arguments which are anchored in its claim that the ARA Accounts are the joint accounts of Antonio and Leon. Moreover, IGC Securities also claimed that prescription,[18] and denial of due process[19] which are allegedly attendant in the instant case, are additional grounds

---

[16] Comment to Memorandum of Appeal dated 3 November 2020. Par. 14 (see Annex "7").
[17] *Memorandum of Appeal* dated 25 September 2020. Annex "F".
[18] *Motion for Reconsideration.* Pars. 4.1 to 4.3.
[19] *Ibid.* Pars. 4.5, 4.9, and 4.10.

that warrant the dismissal of the Complaint.

The CMIC Board denied the Motion for Reconsideration of IGC Securities in its Resolution dated 16 December 2020 (the "First Assailed Resolution"), which resulted in the filing of the First Appeal.

In his Comment to Memorandum of Appeal, Antonio prayed for the affirmation *en toto* of the First Assailed Resolution. Antonio maintained that the CMIC did not commit reversible error in finding that IGC Securities breached the Agreement, which constituted a violation of the relevant provisions of the CMIC Rules. The sanctions imposed upon IGC Securities were thus correct, according to Antonio.[20]

In its Comment (on Appellant's Memorandum of Appeal) dated 04 November 2020, the CMIC prayed for the denial of the First Appeal for want of merit. The CMIC affirmed and reiterated its findings that the ARA Accounts are the single accounts of Antonio which, based on: (a) the invoices, statements of account, check vouchers, stock credit/debit memoranda; the Masterlist of clients showing only the name of Antonio; and (b) the audit trail reports generated from its system showing that Leon was not included in the creation of the ARA Accounts.[21] Thus, IGC Securities' failure to provide Antonio with the reports prescribed under the Agreement; its transfer of the majority of the stocks and cash holdings of the ARA Accounts to the personal account of Leon, at the behest of the latter, constituted a violation of the CMIC Rules.[22]

THE SECOND APPEAL

The IED-CMIC conducted a special investigation on the books and records of IGC Securities covering the period from 22 November 2019 to 09 December 2019, on the basis of the Complaint filed by Antonio.[23]

After the termination of the special investigation, the IED-CMIC

[20] Comment dated 3 November 2020. See pages 14, 17 and 18.
[21] *Comment* dated 4 November 2020. Pars. 31.1.1; 49-51, 54-55, 60, 68-69.
[22] *Ibid.* Pars. 31.1., 31.2, 31.3, and 31.4, 93-95, 105.
[23] *Resolution* dated 25 August 2020. Page 2.
Section 1, Article II of the CMIC Rules expressly grants the CMIC jurisdiction to take cognizance of, and pass upon examination findings, reports of trading-related irregularities and matters which the CMIC has determined should be investigated and resolved to enforce securities laws, rules and regulations.
The complaint averred that IGC Securities failed to comply with, and had not responded to his requests to discontinue the Agreement and to transfer all of his shares and cash positions to BSC. Also, no periodic reports or invoices for any buy or sell transaction were provided by IGC Securities, and that significant unrealized losses in certain stocks were incurred as well as the cost/share of these stocks were adjusted. (See Letters of Instructions dated 16 June 2019 and 17 June 2019).

found that IGC Securities violated Article VI, Section 1(a) and (b)(i)(ii) of the CMIC Rules when it carried out unauthorized actions, modifications of, and/or transactions involving the First ARA Account which is the single account of Antonio. The IED-CMIC did not agree with IGC Securities that the ARA Accounts are the joint accounts of Antonio and Leon as the records showed otherwise, *i.e.,* only the name and/or signature of Antonio was indicated in the invoices, vouchers, stock credit and debit memos, Masterlist of Clients, among others.[24]

The IED-CMIC also found that IGC Securities: (a) transferred securities with an aggregate value of PhP120,988,558.80 from the First ARA Account and the Third ARA Account to the personal account of Leon (ARA 132), and (b) made book transfers of money balances in the aggregate amount of PhP20,130,216.74 to and from the personal account of Leon,[25] in violation of Article VI, Section 1(a), (b)(i)(ii) of the CMIC Rules. These transfers allegedly violated the written instructions of Antonio for the transfer of his cash and stock holdings to BSC.[26]

Finally, the IED-CMIC found that IGC Securities allegedly failed to comply with the terms of the Agreement, specifically the provisions on the risk management limits. The records evaluated by the IED-CMIC showed that IGC Securities did not provide any recommendation to Antonio despite that the majority of the securities held by the latter have reached the maximum risk management limits, in violation of Article VI, Section 1(b)(ii) and (b)(vi)(c) of the CMIC Rules.

On the basis thereof, the CMIC issued a Show Cause Letter dated 06 March 2020 directing IGC Securities to explain why it should not be held liable for violation of the relevant provisions of the CMIC Rules.

On 3 June 2020, IGC Securities, through counsel, filed a *Motion to Dismiss with Written Explanation Ad Cautelam* (the "Motion to Dismiss"), therein praying for the dismissal of the action on the ground: (a) of *litis pendencia*, citing for this purpose the existing administrative case pending with the CMIC which Antonio filed against IGC Securities; and (b) that it did not violate the relevant provisions of the CMIC Rules. As regards the latter ground, IGC Securities again reiterated its position that the First ARA Account is a joint account of Antonio and Leon, and the fact that the Agreement was only signed by Antonio did not change the nature of such account.[27]

[24] *Ibid.* pages 3 and 4.
[25] *Id.* Pages 4 and 5.
[26] *Id.* Page 6.
[27] *Id.* See Annex "G".

Finding no merit to the explanations and arguments proffered by IGC Securities, the CMIC issued a Resolution dated 25 August 2020 (the "Second Assailed Resolution") where it imposed upon IGC Securities the appropriate penalties for violating the relevant provisions of the CMIC Rules.

The Request for Reconsideration filed by IGC Securities, which essentially reiterated the allegations and arguments in its Motion to Dismiss, save for its new argument on prescription, was denied by the CMIC for lack of merit. The Second Assailed Resolution sustained the findings in the earlier Resolution which, according to the CMIC, was supported by substantial evidence. This denial resulted in the filing of the Second Appeal.

In their respective Comments dated 03 November 2020 and 04 November 2020, Antonio and the CMIC, respectively, prayed for the dismissal of the First Appeal and Second Appeal arguing that the same lack merit and basis. Antonio and the CMIC maintained that the ARA Accounts are the single accounts of Antonio, and the transactions carried out by the IGC Securities involving the ARA Accounts sans the express authority of Antonio, which equally constituted breach of the Agreement, violated the relevant provisions of the CMIC Rules.

ISSUES

(A) Whether the IGC Securities was denied due process;
(B) Whether the CMIC committed reversible error in not dismissing the instant case on the ground of prescription;
(C) Whether the CMIC was correct in finding that IGC Securities violated the Ethical Standards Rule, the Code of Conduct and Professional Ethics for Traders and Salesmen, and committed a trading-related irregularity proscribed under the CMIC Rules; and
(D) Whether the CMIC was correct in imposing the penalties provided under the Assailed Resolutions subject of the instant Appeals.

RULING

The First Appeal and Second Appeal (hereinafter referred to collectively as the "Appeals") are bereft of merit.

Preliminarily, this Commission will pass upon the procedural issues raised by IGC Securities which maintained that the instant Appeals are dismissible on the ground that the CMIC violated its right to due process, and the violations/irregularities committed by it are already barred by prescription.

IGC Securities was not denied of due process.

IGC Securities maintains that the proceedings before the CMIC were fatally infirm as it was denied of the opportunity to confront and cross-examine Antonio.[28] Considering that the right to due process is available even in administrative proceedings, the CMIC allegedly denied it of due process when it proceeded to hear and decide on the matters subject of the Appeal sans the absence of Antonio in the proceedings conducted by it.

We do not agree with IGC Securities.

The proceedings *a quo* before the CMIC, and now before this Commission, which is tasked to pass upon the instant Appeals, are classified as administrative in nature where the demands of due process are satisfied when the respondent is given the opportunity to be heard, either through oral arguments or pleadings, or to seek a reconsideration of the action or ruling being assailed.[29] If the records show that the relevant parties were accorded such opportunity, the allegation that there is a denial of due process will cease to have a legal basis; and the failure of administrative bodies to carry out a trial-type proceeding before the courts of justice does not render such proceeding void. The doctrine in *Samalio vs. Court of Appeals*,[30] is apt and instructive, to wit:

> **Due process in an administrative context does not require trial-type proceedings similar to those in courts of justice. Where opportunity to be heard either through oral arguments or through pleadings is accorded, there is no denial of procedural due process.** A formal or trial-type hearing is not at all times and in all instances essential. The requirements are satisfied where the parties are afforded fair and reasonable opportunity to explain their side of the controversy at hand. The standard of due process that must be met in administrative tribunals allows a certain degree of latitude as long as fairness is not ignored. In other words, **it is not legally objectionable for being violative of due process for an administrative agency to resolve a case based solely on position papers, affidavits or**

---

[28] Appeal. Pars. 6.28 and 6.29.
[29] *Vivo vs. Philippine Amusement and Gaming Corporation*, G.R. No. 187854, November 12, 2013 [Per J. Bersamin, *En Banc]*
[30] G.R. No. 140079, March 31, 2005 [Per J. Corona, *En Banc*].

> **documentary evidence submitted by the parties as affidavits of witnesses may take the place of their direct testimony**. (Emphasis supplied)

In the instant case, the records show that IGC Securities was amply afforded every opportunity to present its side, and to refute the allegations and the evidence presented by Antonio in the numerous and voluminous pleadings that it filed with, and submitted to the CMIC in the proceedings *a quo*. The records equally bear that the IGC Securities filed a motion for reconsideration in both cases which were given due course and considered by the CMIC Board. Finally, in relation to the instant Appeals, We are cognizant of the fact that the IGC Securities, duly represented by a competent and recognized law firm, exhaustively presented to this Commission its comments/objections to the resolutions and findings of the CMIC, and submitted evidence in support thereof. This Commission thus holds that IGC Securities' inability to confront Antonio in the proceedings *a quo* did not result or amount to a denial of due process since the records show that it actively participated in all such proceedings.

Verily, the twin requirements of administrative due process, *i.e.*, notice, and the opportunity to be heard or to question the assailed resolutions of the CMIC, were met.

Moreover, We do not agree with IGC Securities that the First Assailed Resolution and the Second Assailed Resolution of the CMIC denying its motions for reconsideration were infirm as they allegedly failed to state the legal basis therefore. A careful examination of the said resolutions will readily reveal that the CMIC already exhaustively explained its findings, and discussed the legal/factual bases thereof. The fact that IGC Securities did not present any new argument or evidence in its motions for reconsideration justifies the reiteration by the CMIC of its earlier findings. These factual circumstances did not affect the validity of the First and Second Assailed Resolutions, especially that the same embodied the legal bases for the denial of IGC Securities' motions for reconsideration. In this regard, the Supreme Court has consistently sustained the validity of minute resolutions as adjudications on the merit, thus:

> The Court has repeatedly said that minute resolutions dismissing the actions filed before it constitute actual adjudications on the merits. They are the result of thorough deliberation among the members of the Court. **When the Court does not find any reversible error in the decision of the CA and denies the petition, there is no need for the**

> **Court to fully explain its denial, since it already means that it agrees with and adopts the findings and conclusions of the CA.** The decision sought to be reviewed and set aside is correct. **It would be an exercise in redundancy for the Court to reproduce or restate in the minute resolution denying the petition the conclusions that the CA reached.**[31] (Emphasis supplied)

The claim of IGC Securities that it was denied of due process must therefore fail for want of merit and basis.

The acts/omissions of IGC Securities which violated the CMIC Rules are not yet barred by prescription.

IGC Securities also maintains that the CMIC committed a reversible error in taking cognizance of, conducting an independent investigation, and in passing upon the acts/omissions or irregularities that it committed considering that the same have already prescribed, citing Section 4, Article II of the CMIC Rules, to wit:

> Section 4. Procedure for the Investigation of Complaints Against Trading Participants. A**n aggrieved or interested party (the "Complainant") may file a written Complaint with CMIC against any Trading Participant for Trading-related Irregularities or other violations of the Securities Laws within six (6) months from knowledge of its commission**. The Complaint should conform to the Complaint form, which CMIC may prescribe from time to time. Failure to file a Complaint within the prescribed period shall bar the aggrieved or interested party from filing a Complaint with CMIC. (Emphasis supplied)

Again, We find that the evidence on record does not support IGC Securities' allegation.

Antonio served upon IGC Securities on 19 June 2019 the Notice of Termination[32] after he discovered that the former has failed to perform its obligations under, and breached the provisions of the Agreement.[33] The continued breach by IGC Securities of its contractual obligations, including the obligation to terminate the Agreement, and to comply with the instructions of Antonio in the Notice of Termination resulted in the filing of the Complaint before the CMIC on 27 June 2019. These material

---

[31] *Agoy vs. Araneta Center, Inc.* G.R. No. 196358, March 21, 2012 [per J. Abad, Third Division].
[32] *Comment* dated 3 November 2020. Par. 8 (see Annex "3").
[33] *Ibid.* Par. 7.

dates disclose that the Complaint was filed within the 6-month period prescribed under the CMIC Rules. In other words, it took Antonio less than a month from 19 June 2019, when he became aware of IGC Securities' breach of the Agreement, to 27 June 2019 when he filed the Complaint with the CMIC, to enforce his rights. The proximity of the date of termination of the Agreement and the date of the filing of the Complaint in fact shows that Antonio wasted no time in seeking redress from the CMIC for the acts/omissions of the IGC Securities which violated his rights and interests. We thus agree with the CMIC that prescription has not set in the instant case.

We now pass upon the substantive issues.

The securities market which facilitates capital raising, channeling of funds from and across individuals, firms, and even the government plays a very important role and function in the country's economy. It allows entrepreneurs and existing businesses to secure needed funds from lenders or investors in exchange for securities. These securities which are sold in the form of either shares of stock, bonds, or debentures, etc. are then characterized as "*claims on the borrower's future income or assets.*" Under this ecosystem, the financial markets act as intermediaries connecting a borrower with investment opportunities to a lender with excess funds but not enough productive investment.[34] This, among others, enables the financial markets to promote and facilitate economic efficiency and production.

In the Philippines, as well as in foreign jurisdictions, the business of offering and/or selling securities as a broker/dealer[35] is a highly regulated activity as it is considered imbued with public interest. The nature, importance and impact of securities brokerage business which justifies its regulation by the State was explained in *Philippine Stock Exchange vs. Secretary of Finance,*[36] to wit:

> The importance of the stock market and the transactions therein to the country's economy and commercial development cannot simply be

[34] See *Villafuerte vs. SEC et. al.,*G.R. No. 208379. March 29, 2022 [Per J. Hernando, *En Banc*]
[35] Section 3.3 of the Securities Regulation Code (SRC) defines a "broker" as "a person engaged in the business of buying and selling securities for the account of others". A broker is a registered firm which executes trades in securities for the account of others, acting as an intermediary between a buyer and seller, and charging a commission for services rendered. Section 3.4 of the SRC, on the other hand, defines a "dealer" as "any person who buys and sells securities for his/her own account in the ordinary course of business". A dealer is also a registered firm who is in the business of buying and selling securities for its own account, with or without the assistance of a broker. Broker/dealers therefore operate in two (2) capacities i.e. as agent (broker) or as principal (dealer).
[36] G.R. No. 213860, July 05, 2022 [Per J. Hernando, *En Banc*].

brushed aside. The Court in *Abacus Securities Corp. vs Ampil* stated:

> **Stock market transactions affect the general public and the national economy. The rise and fall of stock market indices reflect to a considerable degree the state of the economy. Trends in stock prices tend to herald changes in business conditions. Consequently, securities transactions are impressed with public interest, and are thus subject to public regulation.**

> **Given this consequential importance, the State is empowered to regulate stock market transactions.** As mentioned by Chief Justice Alexander G. Gesmundo (Chief Justice Gesmundo), **an absolutely unrestricted market could be potentially harmful as fraudulent transactions may be perpetrated; on the other hand, too much regulation may discourage investors, including foreign investors, to enter the market due to high costs and burdens of doing business.** The Chief Justice noted that "whenever there is a regulation imposed by the State in the commercial aspect of the stock market, the Court should not simply brush aside the issue; rather, such issue must be meticulously examined to determine whether it is in line with the Constitutional principle to recognize the indispensable role of the private sector, encourage private enterprise, and provide incentives to needed investments.

> Trading through a broker or a securities intermediary is allowed under Section 43.1 of Republic Act No. 8799, or the Securities Regulation Code (SRC). **Brokers are essentially the counterparties to the stock transactions at the stock exchange. They buy and sell stocks on behalf of the principal. As the principals of these brokers are generally undisclosed, brokers are generally personally liable for contracts thus entered into.** (Emphasis supplied)

Section 28 of the SRC[37] makes it mandatory for any person engaged in the business of buying or selling securities in the Philippines as a broker/dealer (which the CMIC Rules refer to as Trading Participants[38]) to be registered with the Commission. The license/registration granted to broker/dealers carry with it well-defined and exacting duties, responsibilities, and obligations which include, among others, the submission of the necessary documents or information to keep the registration current and accurate,[39] as well as full and continuing

[37] "**Section 28.** *Registration of Brokers, Dealers, Salesmen and Associated Persons.* – 28.1. **No person shall engage in the business of buying or selling securities in the Philippine as a broker or dealer**, or act as a salesman, or an associated person of any broker or dealer **unless registered as such with the Commission.** Xxx." (Emphasis supplied)

[38] Section 2, Article 1 of the CMIC Rules defines "Trading Participants" as brokers and/or dealers duly licensed by the Commission and authorized to exercise a Trading Right pursuant to the rules of the Exchange. Unless the context requires otherwise, the term shall include directors, officers, Associated Persons, Salesmen and other agents of Trading Participants."

[39] See Section 28.10 of the SRC.

compliance with the relevant and applicable provisions of the SRC and the SRC-IRR,[40] for the protection of the investing public. Consistent with the nature of the secondary license(s) granted to Trading Participants, *i.e.*, as a permit, their continued enjoyment of the rights and privileges appurtenant thereto is conditioned on their full compliance with all applicable laws, rules and regulations;[41] and their failure to do so may result in the imposition by the Commission of the appropriate penalties, including the suspension or revocation of their (primary and/or secondary) license.[42]

In our jurisdiction, the implementation and enforcement of the securities laws, rules and regulations are carried out under a regulatory structure which empowers SROs, such as the CMIC, at the first instance, to discipline and impose sanctions upon their members, which includes IGC Securities, in accordance with the rules promulgated by them.[43] The exercise by SROs of their statutory and regulatory powers are subject to the appellate authority of the Commission which can modify, revise, reverse or set-aside an order, decision, or resolution found to be contrary to law; without evidentiary basis; or have been rendered with grave abuse of discretion.[44] The instant Appeals seek the exercise by the Commission of its appellate authority over the CMIC whose Resolutions are being assailed by IGC Securities. This is a function that this Commission will now perform.

Relative thereto, Part V, Rule III, Section 3-12 of the 2016 Rules of Procedure of the Securities and Exchange Commission (the "2016 Rules") grants the Commission the power to affirm, reverse, or modify a decision, final order, or resolution appealed from based on the evidence on record. This is consistent with the rule established in jurisprudence that an

---

[40] See Section 30 of the SRC.
[41]See Section 40.2 of the SRC (Every self-regulatory organization shall comply with the provision of this Code, the rules and regulations thereunder, and its own rules, and enforce compliance therewith, notwithstanding any provisions of the Corporation Code to the contrary, by its members, persons associated with its members of its participants.)
[42] See Sections 29 and 40.5(b) of the SRC
[43] Sec 40.6 of the SRC.
"The regulatory structure under the SRC is therefore a two-tiered scheme, with the SROs as the first-level regulatory entities, subject to the review, regulation, and supervision of the SEC as the second-level regulatory entity. The regulatory jurisdiction of SROs is defined in Section 40.2 of the SRC, which mandates SROs to "comply with the provisions of this Code, the rules and regulations there under, and its own rules, and enforce compliance therewith x x x

It is readily apparent from the foregoing that, **in enacting the principle of self-regulation into statute, Congress delegated a modicum of regulatory power to the SROs. These regulatory powers are exercised "[i]n lieu of direct regulation by the SEC of Exchanges and other securities-related organizations," and are therefore of the same legal nature as that of the SEC's powers.**" (Emphasis supplied) (*Palanca IV vs. RCBC Securities, Inc.*, G.R. No. 241905, March 11, 2020 [Per J. A.B. Reyes, Jr. Second Division])
[44] See Section 40.7 of the SRC.

appeal throws the entire case open for review, to wit:

> **An appeal, once accepted by this Court, throws the entire case open to review, and that this Court has the authority to review matters not specifically raised or assigned as error by the parties,** if their consideration is necessary in arriving at a just resolution of the case.[45] (Emphasis supplied)

The evidence on record, as well as the admissions made by IGC Securities, established the following acts, omissions of, and/or transactions effected by IGC Securities involving both the ARA Accounts and the Agreement:

(a) IGC Securities transferred the stock and cash stockholdings of Antonio in the First ARA Account to the personal account of Leon (ARA 132), and directly recorded to the personal account of Leon the aggregate value of the subscriptions to and redemptions from the money market funds of Antonio;[46]
(b) IGC Securities created and maintained the Second ARA Account and Third ARA Account without the consent and approval of Antonio, and carried out buy and sell transactions therein upon the instructions of Leon only;[47]
(c) IGC Securities failed to provide Antonio with the periodic reports required under the Agreement;[48]
(d) IGC Securities failed to observe the approved risk management limits prescribed under the Agreement, and neither informed nor provided any recommendation to Antonio after the agreed thresholds were breached;[49]
(e) IGC failed to furnish Antonio with invoices on the buy and sell of securities covered by the ARA Accounts;[50] and
(f) IGC Securities refused and/or failed to comply with the instructions of Antonio in the Notice of Termination to terminate the Agreement,[51] and to transfer his

---

[45] *Barcelona vs Lim*. G.R. No. 189171, June 3, 2014 [Per J. Sereno, *En Banc*].
[46] Resolution dated 16 December 2019. Pages 7, 22 and 23.
[47] *Ibid.*
[48] Appeal. Annex "1" (Item No. 6 of the Agreement provides that: "IGC Securities, Inc. will provide a written monthly report as of the end of each calendar month which will be given on or before 15 calendar days from month-end.
[49] Resolution dated 16 December 2019. Pages 23 and 24
[50] *Ibid.* Page 16.
[51] Appeal. Annex "3" (Item No. 3 of the Agreement provides that: "*The Agreement shall be for a period of one (1) year and* ***can be cancelled by either party in writing at any time after serving a notice of thirty (30) calendar days.***"; see also Resolution dated 16 December 2019. Pages 7 and 9.

shareholdings in the ARA Accounts to BSC.[52]

IGC Securities maintained that the foregoing acts, omissions and/or transactions did not constitute a violation of the CMIC Rules because the ARA Accounts are the joint accounts of Antonio and Leon. In particular, IGC Securities argued that since they were made pursuant to the instruction of Leon who is a joint owner of the ARA Accounts, the same were valid and regular in all respect.

The CMIC and Antonio, on the other hand, maintained that the ARA Accounts are the sole accounts of Antonio, and IGC Securities violated the CMIC Rules when it carried out the instructions of Leon who is not an owner of the same.

Given the polarized positions of the parties herein, the determination of the nature of the ARA Accounts is indispensable for this Commission to properly and correctly rule on whether IGC Securities indeed violated the CMIC Rules. In other words, since it is impossible for the respective positions of both parties to be simultaneously correct, one of them is certainly wrong.

If the ARA Accounts are joint accounts, ICG Securities would be justified in carrying out the instructions of Leon as joint owner of the accounts. This conclusion, however, will not hold if the ARA Accounts are the individual single accounts of Antonio, as what Antonio claims, and the CMIC found.

IGC Securities' alleged breach of the provisions of the Agreement will also be considered and passed upon as the same was carried out in its capacity as a Trading Participant, *i.e.,* they relate to the provision of the products and services covered by the license granted to it as a broker/dealer. In other words, its license as a broker/dealer enabled IGC Securities to lawfully enter into, and assume the obligations in the Agreement; without such license, IGC Securities' provision of the services therein would have been *ultra vires*. Thus, IGC Securities' performance and/or breach of its obligations under the Agreement is necessarily governed by the standards and requirements prescribed under the CMIC Rules (as well as the securities laws, rules and regulations) which are in place to protect the investing public, and to uphold the integrity of the markets.

---

[52] *Ibid.*

In determining if ARA Accounts are the single accounts of Antonio, or a joint account of Antonio and Leon; as well as if the IGC Securities' breach of the Agreement violated the relevant provisions of the CMIC Rules, this Commission will be guided by, and will implement the rules obtaining in administrative proceedings that technical rules of procedures and evidence are not strictly applied,[53] and that the quantum of proof necessary to sustain a finding is merely substantial evidence,[54] or that amount of relevant evidence a reasonable mind might accept as adequate to support a conclusion.

After a careful review of the evidence on record, this Commission finds and so holds that the ARA Accounts are the single accounts of Antonio, contrary to the claim of IGC Securities.

The invoices, statements of account, check vouchers, and the stock credit/debit memoranda covering the ARA Accounts that were extracted from the IGC Securities' system bear only the name of Antonio.[55] They show that from its creation, the transactions involving the First ARA Account, and subsequently the Second and Third ARA Accounts, which IGC Securities entered in its own system reflected their correct classification, *i.e.,* the single account of Antonio. IGC Securities' submission of, and reliance on the Audit Trail Reports which it prepared and obviously unilaterally modified in 2018 to include the phrase "OR LEON C. ARANETA" has actually worked to its disadvantage in the sense that the submission of these reports affirmed, albeit impliedly, that the ARA Accounts are the single individual accounts of Antonio. Considering that what IGC Securities deliberately submitted to the CMIC were the updated Audit Trail Reports which were modified only on "2/7/18", and no earlier versions of such reports were submitted, We agree with the CMIC that such modifications are highly suspect. If, as claimed by IGC

"Further, **administrative bodies are not bound by the technical niceties of law and procedure and the rules obtaining in courts of law.** Administrative tribunals exercising quasi-judicial powers are unfettered by the rigidity of certain procedural requirements, subject to the observance of fundamental and essential requirements of due process in justiciable cases presented before them. **In administrative proceedings, technical rules of procedure and evidence are not strictly applied** and administrative due process cannot be fully equated with due process in its strict judicial sense." (*Samalio vs. Court of Appeals*. G.R. No. 140079. March 31, 2005 [Per J. Corona, *En Banc*]).

[54] "Administrative proceedings are governed by the "substantial evidence rule." A finding of guilt in an administrative case would have to be sustained for as long as it is supported by substantial evidence that the respondent has committed the acts stated in the complaint or formal charge. As defined, substantial evidence is such relevant evidence as a reasonable mind may accept as adequate to support a conclusion. This is different from the quantum of proof required in criminal proceedings which necessitates a finding of guilt of the accused beyond reasonable doubt. The Ombudsman, in ordering the withdrawal of the criminal complaints against respondent was simply saying that there is no evidence sufficient to establish her guilt beyond reasonable doubt which is a condition *sine qua non* for conviction. Ergo, the dismissal of the criminal case will not foreclose administrative action against respondent." (*Velasquez vs. Hernandez*. G.R. No. 150732. August 31, 2004 [Per J. Tinga, *En Banc*]).

[55] *Comment* dated 4 November 2020. Par. 31.1; See Appeal (Annex "B").

Securities, the ARA Accounts were the joint accounts of Antonio and Leon, there would have been no need to modify the records at all. The subsequent inclusion of the "OR LEON C. ARANETA" in the records of the ARA Accounts which were within the custody and control of IGC Securities appear to have been made for a particular purpose to make it appear that the ARA Accounts are joint accounts of Antonio and Leon; and eventually justify the acts of IGC Securities in implementing the instructions of Leon, who was all the while not a joint-owner of the said accounts. Taken together, these pieces of evidence adequately support, and a reasonable mind can accept as adequate, the conclusion of the CMIC that the ARA Accounts are the single accounts of Antonio.

We equally find that the (a) the separate Customer Account Information Form (CAIF) allegedly executed by Leon together with Antonio when the First ARA Account was created,[56] and (b) the corrected Audit Trail Reports beginning only in February 2019[57] do not show *prima facie* joint ownership of the ARA Accounts by Antonio and Leon. These documents failed to trounce the pieces of evidence that the CMIC used as basis in support of its conclusion in the Assailed Resolutions.

Anent the Agreement which Antonio alleged, and the CMIC found, to have been breached by IGC Securities, the same clearly shows that only the IGC Securities and Antonio were the parties thereto and for which reason, the IGC Securities was bound to recognize and deal only with Antonio in all matters relating to the implementation of the provisions thereof, including and especially the performance of its obligations therein.[58] Despite the absence of a provision therein that provides for, or sanctions the opening and maintenance of a joint account to be owned by Antonio and Leon, or even additional accounts, the records show that IGC Securities unilaterally created the Second ARA Account, the Third ARA Account, and modified the Audit Trail Reports at the behest of Leon. IGC Securities also regularly submitted reports covered by the Agreement to Leon only, as if the latter was a party thereto. These acts of IGC Securities clearly constitute a breach of the Agreement, as correctly found by the CMIC, considering that there is nothing in the provisions therein that authorized or substantiated the same.

---

[56] *Id.* Par. 6.1.2.
[57] *Id.* Par. 6.3.2.
[58] "The basic principle of relativity of contracts is that contracts can only bind parties who entered into it, and cannot favor or prejudice a third person, even if he or she is aware of such contract and has acted with knowledge thereof. Where there is no privity of contract, there is likewise no obligation or liability to speak about. This principle is embodied in Art. 1311 of the Civil Code, which states that "contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation, or by provision of law." (*International Exchange Bank vs Rudy S. Labos and Associates, Inc.,* G.R. No. 206327, 6 July 2022 [Per J. Hernando, First Division]).

The evidence on record also shows that IGC Securities carried out the questioned transactions involving the ARA Accounts solely on the strength of the Authorization Letter which Leon presented/submitted to it, to wit:

> Assuming, arguendo, that ARA-3386 was single and not joint, the actuation of ISI were still warranted under the circumstances.
>
> Xxx. In a separate advice, the Letter of Authority from Mr. Antonio Sebastian Araneta Jr. dated 18 October 2018, citing advanced age, granted full authority to LCA 'to personally handle and make decisions on my behalf with regards to all of the accounts and holdings in your company, and without need of my approval nor my consent.[59]

The Authorization Letter did not operate to amend the Agreement. Without the Agreement being expressly amended by Antonio and IGC Securities, the latter did not acquire any authority to create the Second and Third ARA Accounts, more so, to carry out transactions involving the amounts and/or shares covered under the Agreement. At best, the Authorization Letter covered only the other amounts and/or shares of Antonio in the ARA Accounts that were not subject of the Agreement.

Granting *ex gratia*, that the Authorization Letter amended the Agreement, the fact that the same clearly authorized Leon and Baltazar to act jointly in managing/transacting the ARA Accounts negates the claim of IGC Securities that it did not violate the CMIC Rules because the evidence on record shows that it only recognized and complied with the instructions of Leon, completely disregarding Baltazar who was expressly authorized by Antonio to manage the ARA Accounts jointly with Leon. We thus agree with the finding of the CMIC that IGC Securities' actions/transactions involving the ARA Accounts constituted a breach of the Agreement because Leon was never a party thereto; and the Authorization Letter expressly provided that Leon was to act jointly with Baltazar.

Prescinding from the foregoing, We hold that the CMIC did not commit reversible error in finding that IGC Securities violated the relevant provisions of the CMIC Rules, and in imposing penalties provided therein.

IGC Securities committed multiple violations of the Ethical Standards Rule.

---

[59] *Entry of Appearance with Memorandum of Appeal* dated 25 September 2020. Pars. 6.9 and 6.9.2 (Page 20).

The Ethical Standards Rule embodied in the CMIC Rules mirrors the provisions in the SRC and SRC-IRR, which are considered best practices in securities regulation and adopted from the securities laws of the United States, specifically the Securities Exchange Act of 1934. These regulations are designed to extend greater protection to the investing public, and to elevate business practices within the securities brokerage industry. Section 1(a), Article VI of the CMIC Rules which mandates Trading Participants to observe "*high standards of commercial honor*" and "*just and equitable principles of trade*" relates to the transcendental goal of protecting investors and promoting public interest, resulting in the restoration of investor confidence in the capital markets.[60] These general principles do not, *per se*, make broker/dealers ethical in the conduct of their business. They serve as guide to specific actions, systems, and processes prescribed under the CMIC Rules which, if carried out, may result in the Trading Participants being considered as observing "*high standards of commercial honor*" and "*just and equitable principles of trade.*"

Notably, the CMIC Rules adopt and use the following measures, among others, in determining compliance by Trading Participants with the Ethical Standards Rule, which were clearly violated by IGC Securities, to wit:

> *First*, Section 1(b)(i)(ii)(a), Article VI[61] of the CMIC Rules requires Trading Participants, in the conduct of their business, to act honestly, fairly, with due care and diligence, and in the best interest of the client and for the integrity of the market.

---

[60] Ramirez, Steven, The Professional Obligations of Securities Brokers Under Federal Law: An Antidote for Bubbles? 70 U. Cin. L. Rev. 527 (2002). Accessed at: https://lawecommons.luc.edu/cgi/viewcontent.cgi?referer=&httpsredir=1&article=1276&context=facpubs

[61] Section 1(b)(i)(ii)(a), Article VI

"(b) In considering whether a Registered Person is conducting his business in an ethical and fair manner, **CMIC**, in addition to requirements imposed under other SRC Rules, **will be guided by the following principles and requirements** which incorporate International Organization of Securities Commission standards.

(i) **Honesty and fairness**. In conducting his business activities, **a Registered Person should act honestly, fairly and in the best interest of his client and for the integrity of the market.**

Where a Registered Person advises or acts on behalf of a client, he shall ensure at all times that any representations or other communications made and information provided to the client are accurate and not misleading and do not violate SRC Rule 24.1 (d), paragraph 1.

(ii) **Diligence**. In conducting his business activities, a **Registered Person should act with due skill, care and diligence, in the best interest of his clients and for the integrity of the market.**

A Registered Person shall **take all reasonable steps to promptly execute client orders and inconformity with the instruction of the client.**"

Relative thereto, We find that the IGC Securities' (i) act of transferring the stock and cash stockholdings of Antonio to the personal account of Leon (ARA 132), and recording the aggregate value of the subscriptions to, and redemptions from the money market funds of Antonio to the personal account of Leon; (ii) clear disregard of Antonio's right to terminate the Agreement and to transfer his shareholdings in the ARA Accounts to BSC; (iii) failure to submit to Antonio the reports required under the Agreement; (iv) failure to observe the approved risk management limits prescribed under the Agreement; (v) act of executing the instructions of Leon involving the funds and securities under the ARA Account which are subject of the Agreement; (vi) creation and maintenance of the Second ARA Account and Third ARA Account based on the instructions of Leon only; and (vii) submission of *inaccurate* Portfolio Performance Reports to a person who is not a party to the Agreement, constitute seven (7) separate violations of Section 1(b)(i)(ii)(a), Article VI of the CMIC Rules. Considering that, as established earlier, only the IGC Securities and Antonio are the parties to the Agreement, and the ARA Accounts are the single individual accounts of Antonio, these acts of IGC Securities are detrimental and prejudicial to the interests of Antonio, and clearly shows the lack or even absence of honesty, fairness, care, and diligence which are required by the CMIC Rules. If countenanced, these acts will destroy the integrity of the market, and erode the investing public's confidence in the same.

Second, Section 1(b)(v), Article VI[62] of the CMIC Rules in relation to Section 52.1.8[63] of the SRC IRR, requires Trading Participants to provide their clients, on a monthly basis, with a statement of account, and relevant reports on transactions involving the client's account.

Relative thereto, We find that the IGC Securities' (i) failure to provide Antonio with the periodic reports required under the Agreement; (ii) failure to provide Antonio with the statement of accounts on the ARA Accounts which are his single individual account; and (iii) failure to provide Antonio with the invoices on the involving the ARA Accounts which it effected constitute three (3) separate violations of Section 1(b)(v), Article VI of the CMIC Rules in relation to Section 52.1.8 of the SRC-IRR.

Third, Section 2, Article VI[64] of the CMIC Rules requires Trading

---

[62] "(v) **Information for clients.** A registered Person shall make adequate disclosure of material information in his dealings with his clients.

(c) After a Registered Person has effected a transaction for a client, he shall endeavor to confirm promptly with the client, in writing, the essential features of the transaction pursuant to SRC Rule 30.2."

(b) **Associated Persons shall be responsible,** in addition to the duties enumerated under SRC Rule 28.1 (4) (G) **for maintaining a system to supervise the activities of all persons employed by the Trading Participant who are directly or indirectly related to the conduct of its securities business. The supervisory system shall be reasonably designed to achieve compliance with the rules of the CMIC, the Exchange, other applicable laws,** including, but not limited to, Republic Act No. 9160, as amended, or the Ant

[64] (a) **The management of every Trading Participant shall establish and maintain an appropriate**

Participants to establish, maintain and implement an effective compliance function that ensures full compliance by the registered broker and all persons involved in its business operations with the CMIC Rules, and other applicable laws, rules and regulations.

Relative thereto, We find that the IGC Securities' (i) act of transferring the stock and cash stockholdings of Antonio to the personal account of Leon (ARA 132), and recording the aggregate value of the subscriptions to and redemptions from the money market funds of Antonio to the personal account of Leon; (ii) failure to submit the reports required under the Agreement; (iii) failure to observe the approved risk management limits prescribed under the Agreement; (iv) act of executing the sole instructions of Leon involving the funds and securities under the ARA Account which are subject of the Agreement; and (v) submission of *inaccurate* Portfolio Performance Reports to a person who is not a party to the Agreement, constitute five (5) separate violations of Section 2, Article VI of the CMIC Rules. These violations affirm IGC Securities' failure to either establish, maintain or implement an effective compliance function which compromised the interests of its client, and the integrity of the market. Considering that Section 2, Article VI holds Trading Participants fully responsible in properly supervising its personnel and business operations, IGC Securities should be held accountable for its failure to do so in the instant case.

Fourth, Section 1(b)(vi)(c), Article VI[65] of the CMIC Rules requires

---

and effective compliance function within the firm which is independent of all operational and business functions. The compliance function shall be performed by an Associated Person who shall be registered with the Commission and required to report directly to the board of directors and the company President. The management shall ensure that the Associated Person/s performing the compliance function possesses sufficient training and experience in securities regulation matters and an understanding of the securities activities of the firm enabling them to effectively execute their duties.

b) **Associated Persons shall be responsible**, in addition to the duties enumerated under SRC Rule 28.1 (4) (G) **for maintaining a system to supervise the activities of all persons employed by the Trading Participant who are directly or indirectly related to the conduct of its securities business. The supervisory system shall be reasonably designed to achieve compliance with the rules of the CMIC, the Exchange, other applicable laws**, including, but not limited to, Republic Act No. 9160, as amended, or the Anti-Money Laundering Act ("AMLA"), and the Trading Participant's own internal policies and procedures. A firm's supervisory system shall include at least the following: Xxx.

(c) Although **final responsibility for proper supervision shall rest with the Trading Participant**, diligence of a good father of a family is required from the Associated Person/s in the conduct of their compliance function. Xxx.
[65] "(vi) Conflicts of Interest. A Registered Person should avoid conflicts of interest and when they cannot be avoided, should ensure that his clients are fairly treated and properly informed of such conflict of interest.

Xxx.

> (c) Client assets – A Registered Person shall, in the handling of client transactions and assets, act to ensure that client assets are accounted for properly and promptly and comply with SRC Rule 52.1, paragraph 10. Where the Registered Person, or a third party on behalf of the Registered Person, is in possession or control of client positions or assets, the Registered Person shall ensure that client positions or assets are adequately safeguarded."

Trading participants to ensure that clients' assets and positions are properly accounted for and safeguarded. This provision ensures that brokers consider the best interests of their clients, rather than prioritizing their own financial gain or other conflicting interests. This protection is crucial because brokers often possess significant influence over clients' investment decisions and access to their assets, thus creating potential avenues for exploitation.[66]

Relative thereto, We find that the IGC Securities' (i) act of transferring the stock and cash stockholdings of Antonio to the personal account of Leon (ARA 132), and recording the aggregate value of the subscriptions to and redemptions from the money market funds of Antonio to the personal account of Leon; (ii) failure to comply with the instructions given by Antonio to transfer his shareholdings in the ARA Accounts to BSC; (iii) failure to observe the approved risk management limits prescribed under the Agreement; (iv) act of executing the sole instructions of Leon involving the funds and securities under the ARA Account which are subject of the Agreement; (v) creation and maintenance of the Second ARA Account and Third ARA Account based on the instructions of Leon only; and (vi) its submission of *inaccurate* Portfolio Performance Reports to a person who is not a party to the Agreement; constitute six (6) separate violations of Section 1(b)(vi)(c), Article VI of the CMIC Rules.

IGC Securities committed multiple violations of the Code of Conduct and Professional Ethics for Traders and Salesmen.

The Code of Conduct and Professional Ethics for Traders and Salesmen (the "Code of Conduct") embodied in Article V of the CMIC Rules embodies the principles which Trading Participants are required to adhere. We cannot overemphasize the value and importance of these principles which are designed to foster a culture of honesty, transparency, fairness, and ethical decision-making in the conduct of businesses of Trading Participants for the protection of investors, and the promotion of the integrity of the capital market. It is therefore not surprising that the CMIC Rules consider and classify violations of the Code of Conduct as major violations, recognizing the potential catastrophic effects that such violations will have on investors, the market, and even the country's economy.

Section 1(a), (e), and (f), and Section 2 of the Article V of the CMIC Rules require traders and salesmen to adhere at all times to the principles of honesty, integrity, fairness, and good business practice; do nothing that

---

[66] CFA Society UK., Conflicts of Interest. https://www.cfauk.org/-/media/files/pdf/pdf/5-professionalism/3-research-and-position-papers/conflicts-of-interest.pdf

will adversely affect their duties to the public and the regulator; properly account for, and adequately safeguard the assets of clients; and consider the interests of their client as paramount and not, under any circumstance, prejudice the same.

Relative thereto, We find that the IGC Securities' (i) act of transferring the stock and cash stockholdings of Antonio to the personal account of Leon (ARA 132), and recording the aggregate value of the subscriptions to and redemptions from the money market funds of Antonio to the personal account of Leon; (ii) clear disregard of Antonio's right to terminate the Agreement and to transfer his shareholdings in the ARA Accounts to BSC; (iii) failure to submit the reports required under the Agreement; (iv) failure to observe the approved risk management limits prescribed under the Agreement; (v) act of executing the sole instructions of Leon involving the funds and securities under the ARA Account which are subject of the Agreement; (vi) creation and maintenance of the Second ARA Account and Third ARA Account based on the instructions of Leon only; and (vii) submission of inaccurate Portfolio Performance Reports to a person who is not a party to the Agreement, constitute seven (7) separate violations of Section 1(a), (e), and (f), and seven (7) separate violations of Section 2, Article V of the CMIC Rules. These acts of IGC Securities display a clear disregard of the principles which compromised its clients' assets, and breached its duties to the investing public, the Exchange, and this Commission.

IGC Securities committed Trading-Related Irregularities proscribed under Article XI of the CMIC Rules.

Section 1(B)(h) the CMIC Rules expressly prohibits a Trading Participant from using or disposing clients' funds or securities without authority, to wit:

> Section 1. General Conduct. In addition to the manipulative and fraudulent practices prohibited by the Securities Laws, a Trading Participant shall not:
>
> Xxx.
>
> (g) Engage in the unauthorized use or disposition of funds or securities entrusted by a client to a Trading Participant in the course of its trading business;

Considering that IGC Securities transferred the stock and cash stockholdings of Antonio in the First ARA Account to the personal account of Leon (ARA 132), and directly recorded in the personal account of Leon the aggregate value of the subscriptions to and redemptions from the money market funds of Antonio,[67] We agree with the finding of the CMIC, and hereby hold that IGC Securities violated Section 1(B)(h) the CMIC Rules.

The multiple violations of the CMIC Rules warrant the modification of the sanctions imposed by CMIC against IGC Securities, consistent with Article XII of the CMIC Rules.

The SRC expressly grants CMIC the power to discipline its member trading participants found to have violated the securities laws, rules or regulations, and/or have committed acts or practices that are inconsistent with the principles of just and equitable principles of fair trade.[68] Under the CMIC Rules, the exercise by the CMIC of its disciplining authority is intended to ensure compliance with securities laws and prevent fraudulent and manipulative acts and practices, and deter misconduct; with the end goal of improving overall business standards in the securities market.[69]

---

[67] Resolution dated 16 December 2019. Pages 7, 22 and 23.

[68] "40.6. (a) A self-regulatory organization is authorized to discipline a member of or participant in such self-regulatory organization, or any person associated with a member, including the suspension or expulsion of such member or participant, and the suspension or bar from being associated with a member, if such person has engage in acts or practices inconsistent with just and equitable principles of fair trade or in willful violation of any provision of the Code, any other law administered by the Commission, the rules or regulations thereunder, or the rules of the self-regulatory organization. In any disciplinary proceeding by a self-regulatory organization (other than a summary proceeding pursuant to paragraph (b) of this subsection) the self-regulatory organization shall bring specific charges, provide notice to the person charged, afford the person charged with an opportunity to defend against the charges, and keep a record of the proceedings. A determination to impose a disciplinary sanction shall be supported by a written statement of the offenses, a summary of the evidence presented and a statement of the sanction imposed.
(b) A self-regulatory organization may summarily: (I) Suspend a member, participant or person associated with a member who has been or is expelled or suspended from any other self-regulatory organization; or (ii) Suspend a member who the self-regulatory organization finds to be in such financial or operating difficulty that the member or participant cannot be permitted to continue to do business as a member with safety to investors, creditors, other members, participants or the self-regulatory organization: *Provided,* That the self-regulatory organization immediately notifies the Commission of the action taken. Any person aggrieved by a summary action pursuant to this paragraph shall be promptly afforded an opportunity for a hearing by the association in accordance with the provisions of paragraph (a) of this subsection. The Commission, by order, may stay a summary action on its own motion or upon application by any person aggrieved thereby, if the Commission determines summarily or after due notice and hearing (which hearing may consist solely of the submission of affidavits or presentation of oral arguments) that a stay is consistent with the public interest and the protection of investors."

[69] Section 1, Article XII of the CMIC Rules.

In determining the appropriate sanction(s) to be imposed upon an erring Trading Participant, the nature/classification of the violation provided under Section 3, Article XII of the CMIC Rules, and the specific sanction for each count of violation prescribed under Section 4, Article XII of the CMIC Rules, are controlling.

Section 3, Article XII of the CMIC Rules classifies the unauthorized use or disposition of funds/securities entrusted by a client to a Trading Participant in the course of its trading business as a *grave violation*;[70] while violations of the Ethical Standards Rule, and the Code of Conduct are classified as *major violations*.[71] Section 4, Article XII of the CMIC Rules, on the other hand, provides for the specific sanction to be imposed for **each count**[72] of *grave* and/or *major* violation committed, to wit:

> The CMIC or the CMIC Board may impose the following disciplinary sanctions for violations of the Securities Laws by a Trading Participant in accordance with the following:
>
> (a) Grave Violations
>
> (h) First violation – Written reprimand and fine in the amount of at least PhP25,000.00 but not exceeding PhP200,000.00;
> (ii) Second violation – Denial of (1) the exercise of the Trading Right and (2) access to the facilities and systems of the Exchange;
> (iii) Third and subsequent violations – Bar the erring Trading Participant from entry to or the employment in or any kind of commercial association with the Exchange or other Trading Participant.
>
> (b) Major Violations
>
> (i) First violation – Fine of at least PhP10,000.00 but not more that PhP30,000.00;
> (ii) Second violation – Fine of at least PhP30,000.00 but not more that PhP50,000.00;
> (iii) Third violation – Fine of at least PhP50,000.00 but not more that PhP75,000.00;
> (iv) Fourth and subsequent violations – Fine of at least PhP75,000.00.

On account thereof, the violations committed by the IGC Securities that were established earlier warrant the imposition of the following

---

[70] Section 3(a)(ii) of the CMIC Rules.
[71] Section 3(b)(ii) and (iii) of the CMIC Rules.
[72] Section 5, Article XII of the CMIC Rules requires the CMIC Board to treat each count of violation as one and separate violation.

sanctions which this Commission finds to be the correct appropriate penalties:

First, a fine of PhP425,000.00 should be imposed upon IGC Securities for its first (1st), second (2nd), and third (3rd) to seventh (7th) violation of the Ethical Standards Rule, specifically of Section 1(b)(i)(ii)(a), Article VI of the CMIC Rules, which is classified as a major violation;

Second, a fine of PhP225,000.00 should be imposed upon IGC Securities for its eighth (8th) to tenth (10th) violation of the Ethical Standards Rule, specifically Section 1(b)(v), Article VI of the CMIC Rules in relation to Section 52.1.8 of the SRC-IRR, which is classified as a major violation;

Third, a fine of PhP375,000.00 should be imposed upon IGC Securities for its eleventh (11th) to fifteenth (15th) violation of the Ethical Standards Rule, specifically Section 2, Article VI of the CMIC Rules, which is classified as a major violation;

Fourth, a fine of PhP450,000.00 should be imposed upon IGC Securities for its sixteenth (16th) to twenty-first (21st) violation of the Ethical Standards Rule, specifically Section 1(b)(vi)(c), Article VI of the CMIC Rules, which is classified as a major violation;

Fifth, a fine of PhP425,000.00 should be imposed upon IGC Securities for its first (1st), second (2nd), and third (3rd) to seventh (7th) violation of the Code of Conduct and Professional Ethics for traders and Salesmen, specifically Section 1(a), (e), and (f), Article V of the CMIC Rules, which is classified as a major violation;

Sixth, a fine of PhP525,000.00 should be imposed upon IGC Securities for its eighth (8th) to fourteenth (14th) violation of the Code of Conduct and Professional Ethics for traders and Salesmen, specifically Section 2, Article V of the CMIC Rules, which is classified as a major violation; and

Seventh, written reprimand and fine of PhP200,000.00 for its first violation of Section 1(B)(h) of the CMIC Rules, a trading related irregularity which is classified as a grave violation.

WHEREFORE, premises considered, the Memorandum of Appeal (In re: Decision dated 18 August 2020) dated 25 September 2020, and the Memorandum of Appeal (In re: Decision dated 5 December 2020) dated 17 November 2020 are hereby **DISMISSED** for lack of merit and basis. The CMIC Resolutions dated 19 July 2018, 18 August 2020, 25 August 2020 and 15 September 2020 are hereby **AFFIRMED** insofar as they found IGC Securities, Inc. to have violated the relevant provisions of the CMIC Rules. The sanctions imposed in the CMIC Resolutions dated 19 July 2018, 18 August 2020, 25 August 2020 and 15 September 2020 are, however, **MODIFIED** with the imposition of the aggregate fine of Pesos: Two Million Six Hundred Eighty-Five Thousand (PhP2,685,000.00), without prejudice to possible criminal charges, broken down as follows:

First, for IGC Securities' first (1st) to seventh (7th) violation of the Ethical Standards Rule, specifically Section 1(b)(i)(ii)(a), Article VI of the CMIC Rules, IGC Securities is hereby assessed a fine of PhP455,000.00;

Second, for IGC Securities' eighth (8th) to tenth (10th) violation of the Ethical Standards Rule, specifically Section 1(b)(v), Article VI of the CMIC Rules in relation to Section 52.1.8 of the SRC-IRR, IGC Securities is hereby assessed a fine of PhP225,000.00;

Third, for IGC Securities' eleventh (11th) to fifteenth (15th) violation of the Ethical Standards Rule, specifically Section 2, Article VI of the CMIC Rules, IGC Securities is hereby assessed a fine of PhP375,000.00;

Fourth, for IGC Securities' sixteenth (16th) to twenty-first (21st) violation of the Ethical Standards Rule, specifically, Section 1(b)(vi)(c), Article VI of the CMIC Rules, IGC Securities is hereby assessed a fine of PhP450,000.00;

Fifth, for IGC Securities' first (1st) to seventh (7th) violation of the Code of Conduct and Professional Ethics for traders and Salesmen, specifically Section 1(a), (e), and (f), Article V of the CMIC Rules, IGC Securities is hereby assessed a fine of PhP455,000.00;

Sixth, for IGC Securities' eighth (8th) to fourteenth (14th) violation of the Code of Conduct and Professional Ethics for traders and Salesmen specifically Section 2, Article V of the CMIC Rules, IGC Securities is hereby assessed a fine of PhP525,000.00; and

Seventh, for IGC Securities' first violation of Section 1(B)(h) of the CMIC Rules, IGC Securities is hereby reprimanded and assessed a fine of PhP200,000.00.

IGC Securities, Inc. is hereby sternly warned that any similar violation will be dealt with more severely.

Finally, in line with the twin objectives of ensuring market integrity and deterring misconduct among trading participants, the CMIC is reminded of the expectation that it will remain firm, fair, and resolute in exercising its disciplinary authority. This includes the consistent and objective implementation of its duly approved Rules. In this context, it is imperative that the sanctions imposed reflect both the seriousness of the infractions and the broader mandate of maintaining trust in the capital markets.

SO ORDERED.

Makati City, Philippines.

FRANCISCO ED. LIM
Chairperson

JAVEY PAUL D. FRANCISCO*
Commissioner

KARLO S. BELLO
Commissioner

MCJILL BRYANT T. FERNANDEZ
Commissioner

ROGELIO V. QUEVEDO
Commissioner

*On official business