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

LIBERATA SY CHAM, EMERSON MERRILL S. CHAMP, and LUIS C. SY,
Appellants,

-versus-

QUALITY INVESTMENTS & SECURITIES CORPORATION, TERESITA P. CU, and CAPITAL MARKETS AND INTEGRITY CORPORATION,
Appellees.
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SEC *En Banc* Case No. 05-22-499
Promulgated: 15 February 2024

DECISION

Before this Commission is the Appeal Memorandum dated 23 April 2022 (the "Appeal") filed by Appellants Liberata Sy Cham, Emerson Merrill S. Champ, and Luis C. Sy, praying for the partial reversal and setting aside of the CMIC Resolution dated 29 December 2021, which was sustained in the Resolution dated 15 March 2022 (collectively referred to as the "Assailed Resolutions"), the dispositive portion of latter reads, thus:

> "RESOLVED, That the Board of Directors of the Capital Markets Integrity Corporation (the "Corporation") deny, as it hereby denies, the request for reconsideration dated 11 January 2022 of Quality Investments & Securities Corporation's ("Quality") of the Corporation's resolution dated 29 December 2021 in the case docketed as CMIC-IED-IC-2021-008.
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> "RESOLVED FURTHER, that the Board of Directors of the Corporation affirm, as it hereby affirms, the imposition of the following penalties stated in the Corporation's resolution dated 29 December 2021 for the following violations:

Rule Violated	**Penalty**
Quality's *first* to *third* violation of Article V, Section 1, in relation to Article V, Section 2 of the CMIC Rules	Fine totaling Ninety Thousand Pesos (Php90,000.00)
Quality's second to fourth violation of Article VI, Section 1(a), (b)(i)(ii) and (iii) of the CMIC Rules	Fine totaling One Hundred Fifty-five Thousand Pesos (Php155,000.00)
Quality's *first* to *third* violation of Article VI, Section 1 (b)(vii)(c) and (d) of the CMIC Rules	Fine totaling Ninety Thousand Pesos (Php90,000.00)
Quality's *first* to *third* violation of Article VI, Section 1(b)(iv)(a) and (b) of the CMIC Rules	Fine totaling Ninety Thousand Pesos (Php90,000.00)
Quality's violation of Article VII, Section 11(a) of the CMIC Rules	Written reprimand
Associated Person's second violation of Article VI, Section 2 of the CMIC Rules	Fine totaling Thirty Thousand Pesos (Php30,000.00)

The Appeal specifically prays that the Commission (a) also holds Appellee Teresita P. Cu administratively liable for violation of the Code of Conduct and Professional Ethics for Trades and Salesmen, the Ethical Standards Rule, and the Consumer Protection Rule, (b) imposes heavier sanctions on both Quality Investments and Securities Corporation and Teresita P. Cu for repeated violations of CMIC Rules.

THE PARTIES

Liberata Sy Cham ("Liberata"), Emerson Merrill S. Champ ("Emerson"), and Luis C. Sy ("Luis") [hereinafter collectively referred to as the "Appellants"], are clients of Quality Investments & Securities Corporation, each having/maintaining their respective personal account.

Appellee Quality Investments & Securities Corporation ("Quality") is a corporation organized and existing under Philippine laws having been issued a Certificate of Incorporation bearing SEC Registration No 38648. Its principal address is at Suite 1602 Tytana Plaza, 611 Oriente St., Binondo, Manila.

Appellee Teresita P. Cu ("Teresita") is a trader, salesperson, and broker of Quality. She is a member of the Board of Directors and is the incumbent Executive Vice-President of Quality.

Appellee Capital Markets Integrity Corporation ("CMIC") is a self-regulatory organization (SRO) duly organized and existing under the laws of the Republic of the Philippines, 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 office is at the 10/F PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City.

RELEVANT FACTS

During the period covering 1980 up to the early 2000, Liberata, by herself or through her sister, Leticia C. Sy (Leticia), bought several shares of stock in various companies, including 134,000 BPI shares[1] and 28,830 Ayala Corporation (AC) shares,[2] among others, which were all registered under her name. Leticia facilitated the opening of Liberata's account with Quality which has in its records the Customer Account Information Form of Liberata.[3]

Meanwhile, sometime in the year 2000, Emerson bought several shares of stock in various companies, which were all registered under his name, either as sole owner or joint owner with Leticia, who was his aunt.[4] Emerson allegedly owned 10,368 BPI shares, and co-owned with Leticia 4,147 Ayala Corporation (AC) shares.[5] Leticia again facilitated the opening of Emerson's account with Quality which has in its records the Customer Account Information Form of Emerson.[6]

During the same year i.e. 2000, Luis also bought several shares of stock in various companies, which were all registered under his name, either as sole owner or joint owner with Leticia, who was his sister.[7] Luis allegedly entrusted to Leticia his 24,000 Ayala Land, Inc. (ALI) shares and 4,176 AC shares.[8] Leticia again facilitated the opening of Luis' account with Quality which has in its records the Customer Account Information Form of Luis.[9]

Thereafter, Appellants Liberata and Luis inquired about the status of their respective shares that were lodged with Quality, through their respective Letters both dated 6 December 2019, which were addressed

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[1] Liberata *Complaint* dated 19 February 2021. Pars. 4 and 5. See also *Appeal.* Pars. 2 and 4
[2] Liberata *Complaint* dated 28 June 2021, Pars. 8 and 9. See also *Appeal.* Pars. 2 and 4
[3] *Ibid.* See Annex "A" and Annex "A", respectively. See also *Appeal.* Par. 2
[4] Emerson *Complaint* dated 28 June 2021. Par. 2. See also *Appeal.* Pars. 2 and 4
[5] *Ibid.*
[6] *Ibid.* See Annex "A" and "A-1". See also *Appeal.* Pars. 2 and 4
[7] Luis *Complaint* dated 28 June 2021. See also *Appeal.* Pars. 2 and 4
[8] *Id.*
[9] *Id.* See Annex "A". See also *Appeal.* Pars. 2 and 4

and sent to Quality.[10] For his part, Emerson, through counsel, directly inquired with BPI and AC about the status of his shareholdings.[11]

In response to the letters of Liberata and Luis, Appellee Teresita confirmed in her letter dated 13 December 2019, the existence of the BPI shares under the name of Liberata[12], and denied having received the BPI shares certificates of Luis.[13] As regards, Emerson, the Stock Transfer Office of BPI confirmed that he had "*176,408 BPI shares before lodged to Quality Inv. & Secs. Corp.*"[14]

In a meeting held at the office of Quality sometime in December 2019, Teresita admitted having sold the shares of Liberata which were lodged with Quality, allegedly upon on the instruction of Leticia and without obtaining her consent.[15] The same admission was allegedly made by Liberata during the meeting that was held at Mandarin Sky Seafood Restaurant in Caloocan City on 8 January 2021.[16]

Appellants then formally demanded that Teresita shows the documents and provide information relating to their shares which were lodged with Quality.[17] Appellants subsequently demanded for the turnover of their shares lodged with Quality, the dividends thereof or the sales proceeds if these were already sold.[18]

Allegedly, Appellants' demands were completely ignored by Teresita which resulted in the filing of their respective Complaints for violation of the relevant provisions of the CMIC Rules and the SRC.[19]

In its Letter Order dated 5 July 2021, the CMIC consolidated the Complaints of Appellants under docket number CMIC-IED-IC-2021-008 on the basis of a finding that they involved similar parties, issues and reliefs sought.[20]

In her *Answer*, Terestita maintained that the Complaints were dismissible on the ground that (a) they were filed beyond the 6-month prescriptive period provided in the CMIC Rules[21]; (b) the sale of

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[10] See. Liberata Complaint, Par. 6; and Luis Complaint, Par.4. See also *Appeal.* Par. 11
[11] Emerson Complaint. Par. 4
[12] Liberata Complaint, Par. 7 (See Annex "C"); See also Appeal. Par. 6 (Annex "C"). See also *Appeal.* Par. 6.
[13] Luis Complaint. (Annex "C")
[14] Emerson Complaint. Annex "B"
[15] Liberata Complaint. Par. 8 (Annex "D");
[16] *Appeal*. Par. 16
[17] Liberata Complaint. Pars 9 and 11; Emerson Complaint. Pars.5 to 7; and Luis Complaint. Pars. 7 to 9. See also *Appeal.* Pars. 8, 10, 14 and 18
[18] Liberata Complaint. Pars 18; Emerson Complaint. Par. 7; and Luis Complaint. Par. 9
[19] *Appeal*. Pars. 19 to 21
[20] *Comment* dated 1 June 2022 filed by the CMIC. Par. 13 (See Annex "6")
[21] *Answer*. Par. 45

Appellants' shares was valid and authorized as they were made pursuant to the instruction of Leticia, the beneficial owner thereof[22]; and prescinding therefrom, (c) the sale of the shares could not have been irregular nor fraudulent, and did not violate the CMIC Rules.

The foregoing allegations and defenses were essentially reiterated and used by Quality in its Supplemental Answer dated 13 August 2021 to establish and support its claim that it did not violate the relevant provisions of the CMIC Rules and the SRC. In addition, Quality also questioned the Appellants' lack of legal standing and cause of action to file their respective Complaints.

In her *Reply*, Liberata countered that her action has not yet prescribed since it was only during the January 8, 2021 meeting that Teresita denied and/or refused to acknowledge her ownership of the shares.[23] Liberata reiterated her position that Teresita violated the CMIC Rules and the SRC when she disposed of the shares upon the instruction of Leticia, when the records show that she was the owner thereof on record.[24] Liberata pointed out Leticia could not be the owner of the shares since her annual income cannot justify the purchase thereof.[25]

Appellants likewise essentially adopted and reiterated the foregoing arguments in their Consolidated Reply (To Supplemental Answer dated August 13, 2021) dated 22 September 2021. Appellants specifically assailed the unilateral removal of Teresita as respondent in the instant case by Quality, who is a Trading Participant under Sec. 1 Article XII of the CMIC Rules.[26]

In her Rejoinder dated 14 April 2021, Teresita stood her ground and maintained that prescription has already set it which warrants the dismissal of the action; that Leticia was the lawful and beneficial owner of the shares in question which made the sale of the shares valid. The Supplemental Rejoinder which Quality subsequently filed with the CMIC essentially adopted the arguments in the Rejoinder of Teresita.

Thereafter, the parties forthwith filed their respective Position Papers which also essentially reiterated their allegations and arguments presented in their earlier pleadings.

In their Manifestation dated 25 October 2021, Appellants informed the CMIC that they were withdrawing their prayer for an accounting of

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[22] *Ibid.* Pars 55 to 61, and 63
[23] *Reply.* Par. 5
[24] *Ibid.* Pars. 12, 15, 16, 17, 36, 39
[25] *Ibid.* Pars. 28, 32 and 33
[26] *Consolidated Reply.* Par. 5

all the shares registered under their names, after they decided to pursue such relief before the proper courts where the interpleader cases filed by Quality are pending.[27]

On 29 December 2021, the CMIC issued the Resolution finding Quality to have violated the provisions in the CMIC Rules on: (1) the Code of Conduct and Professional Ethics for Traders and Salesmen; (2) the Ethical Standards Rule, and (3) the Customer Protection Rule, and imposed upon the latter a penalty in the aggregate amount of Four Hundred Fifty-Five Thousand Pesos (PHP455,000.00).[28] The request for reconsideration filed by Quality was denied by the CMIC in a Resolution dated 15 March 2022, which affirmed its Resolution dated 29 December 2021.[29]

In their Appeal, Appellants essentially claim that the Assailed Resolutions should be modified to the effect that Teresita, who is a Trading Participant under the CMIC Rules, should also be penalized together with Quality, for having violated the Code of Conduct and Professional Ethics, the Ethical Standards Rule and the Customer Protection Rule.[30] Appellants equally maintained in the Appeal that heavier sanctions should be imposed on the Appellees considering that the repeated violation of the CMIC Rules involves three (3) clients.[31]

Appellees, in their Comment/Opposition dated 3 June 2022, prayed for the denial of the Appeal for lack of merit, and for the affirmation of the Assailed Resolutions. ruling of the CMIC. Procedurally, Appellees maintain that the Appeal is dismissible for having been filed beyond the reglementary period. Appellees also argue that the denial of the Appeal is warranted because (a) Appellants are already estopped from questioning the Assailed Resolutions after they sought the affirmation thereof in their Opposition to Quality's Request for Reconsideration, (b) Teresita cannot be held liable for violation of the CMIC Rules separately from Quality, and there is no ground to impose heavier sanction on Quality.

On 2 June 2022, CMIC filed its Comment (on Appellants' Appeal Memorandum) therein praying for the denial of the Appeal on the ground that (a) Appellants are estopped from questioning the Assailed Resolutions, (b) the CMIC did not err in holding Teresita liable since she is already deemed included in the Assailed Resolution, and to specifically name her as a liable person is a surplusage, and (c) the CMIC did not err

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[27] *Appeal*. Par. 38 (See Annex "N"); see also *Comment* dated 1 June 2022 filed by the CMIC. Par. 24
[28] *Ibid.* Par. 39 (See Annex "A")
[29] Appeal. Par. 42 (See Annex "P")
[30] *Ibid.* Pars. 48, 51, 54, 56, 57 and 59
[31] *Ibid.* Par. 67

in deferring the imposition of the appropriate penalties for the alleged unauthorized disposition of shares since the question on the ownership thereof is still pending before the regular courts.

On 11 June 2022, Appellants filed their Consolidated Reply which reiterated their prayer that Teresita be held administratively liable for violation of the CMIC Rules independently of Quality, and that heavier penalties be imposed upon the latter. In relation to the allegation that they were already estopped from questioning the Assailed Resolutions, Appellants countered by saying that what they sought was the affirmation of the CMIC Resolution finding Quality liable.

On 27 July, Quality and Teresita filed their Rejoinder where they essentially repleaded and reiterated their position that the Appeal is dismissible for having been belatedly filed and on the ground of estoppel. Appellees likewise reiterated their argument that Teresita cannot be held separately liable from Quality and that there is no ground to impose heavier sanctions on the latter.

In Compliance with the Order dated 5 January 2023, Appellants, Appellees and the CMIC filed their respective Position Papers which essentially reiterated their allegations and arguments in support of their respective positions. On account thereof, the Appeal was then deemed submitted for decision.

ISSUES

I. Whether the Appeal was filed beyond the reglementary period.
II. Whether the Appellants are estopped from questioning the Assailed Resolutions
III. Whether Teresita P. Cu should be held administratively liable independently of Quality; and
IV. Whether heavier penalties should be imposed upon Quality

RULING

I. The Appeal was filed within the reglementary period.

In their Comment/Opposition, as well as in their subsequent pleadings, the Appellees consistently maintained that the Appeal was filed beyond the reglementary period which resulted in the Assailed Resolution attaining finality. In this regard, Appellees pointed out that Appellants received the Assailed Resolution on 24 March 2022. Applying

Section 3-2, Part V, Rule III of the 2016 Rules of Procedure of the Securities and Exchange Commission (the "2016 Rules"), Appellants had thirty (30) days or until 23 April 2022, Saturday, or 25 April 2022, the next working day, within which to file the Appeal.[32] Considering that the Appeal was filed only on 12 May 2022, citing the Order dated 19 May 2022, or nineteen days after the last day to file the same, the Assailed Resolution has become final and executory.

The records of the case which this Commission has carefully reviewed show that the Appeal was timely filed.

As correctly pointed out by the parties, the "2016 Rules" applies to, and governs appeals filed with the Commission, seeking relief from a decision, resolution or final order issued by a Self-Regulatory Organization, thus:

> "SEC. 3-2. Period of Appeal. - An appeal to the Commission En Banc may be taken within fifteen (15) days from receipt by the party to an action of the adverse decision, final order or resolution of a Director of an Operating Department or the Special Hearing Panel.
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> <u>An appeal to the Commission En Banc may be taken within thirty (30) days from receipt by the party to an action of an adverse decision, final order or resolution of a Self-Regulatory Organization</u>." (Emphasis supplied)

Relative thereto, Section 4-1 (a)(b), Rule IV, Part I of the 2016 Rules provide that pleadings, which include an appeal, may be filed either personally or by registered mail, and such filing can be shown by the registry receipt and the affidavit of the person filing, thus:

> "**a. Manner of Filing**. The filing of pleadings and all other papers with the Commission shall be made in the following manner: (i) by presenting the original copies thereof personally to the Operating Department which has authority over the action, or the Commission *En Banc*, through the OGC; <u>or</u> (ii) <u>by sending them the registered mail or by private courier addressed to</u> the Operating Department which has authority over the action, or <u>the Commission *En Banc*, through the OGC</u>.
>
> xxx.

[32] *Comment/Opposition* dated 3 June 2022, Pars. 10 to 13. See also *Position Paper* dated 6 February 2023. Pars. 19 to 21

> **b.** The filing of a pleading or paper shall be proved by its existence in the record of the case. If it is bot in the record, but it is claimed to have been filed personally, the filing shall be proved by the written or stamped acknowledgement of its filing by the Operating Department or the Commission *En Banc*, through the OGC, on a copy of the same; if filed by registered mail or through private courier, by the registry receipt or the acknowledgement receipt issued by the courier company, as the case may be, and by the affidavit of the person who did the mailing, containing a full statement of the date and place of depositing the mail in the post office in a sealed envelope addressed to the Operating Department or the Commission *En Banc*, through the OGC, with postage fully prepaid, and with instructions to the postmaster or private courier company to return the mail to the sender after ten (1) days if not delivered." (Emphasis supplied)

In the instant case, while it is true that the Appeal was stamped "Received" on 12 May 2022, the records also show that Appellants filed the same by registered mail on 25 April 2022 at the SM Mall of Asia Post Office, Pasay City, as shown by the Registry Receipt bearing number ED801769159ZZ. This was substantiated by the Affidavit of Filing and Service executed by Paulino Herminigildo V. Rebola who attested to his filing of the Appeal with the Commission on 25 April 2022 via registered mail.

Given the foregoing factual circumstances, it appears that Appellants filed the Appeal via registered mail on 25 April 2022, and furnished the Commission with a hard copy thereof on 12 May 2022. This explains why the hard copy of the Appeal was stamped "Received" on 12 May 2022. It is however a common practice which this Commission takes administrative notice of, that party litigants file their pleadings via registered mail and furnish the court/administrative agency with the hard copy on a later date.

Thus, applying Section 3, Rule 13 of the Rules of Court[33] (suppletorily), this Commission finds and so holds that the Appeal which

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[33] "**Section 3.** *Manner of filing*. — The filing of pleadings, appearances, motions, notices, orders, judgments and all other papers shall be made by presenting the original copies thereof, plainly indicated as such, personally to the clerk of court or by sending them by registered mail. In the first case, the clerk of court shall endorse on the pleading the date and hour of filing. In the second case, the date of the mailing of motions, pleadings, or any other papers or payments or deposits, as shown by the post office stamp on the envelope or the registry receipt, shall be considered as the date of their filing, payment, or deposit in court. The envelope shall be attached to the record of the case."

was filed via registered mail on 25 April 2022, was filed within the reglementary period. This finding is consistent with the rule established in jurisprudence that the date of mailing is considered the date of filing, thus:

> "Petitioner's motion for reconsideration was likewise filed on time. She received a copy of the June 18, 2007 CA Resolution on July 18, 2007. Under Section 1 of Rule 52, she had 15 days from notice, or until August 2, 2007, to file a motion for reconsideration. Petitioner filed by registered mail her motion for reconsideration on July 27, 2007. The fact of mailing on the said date is proven by the registry return receipt, the affidavit of service, and the certification of the Office of the Postmaster of Iligan City. **Section 3, Rule 13 of the Rules of Court provides that if a pleading is filed by registered mail, then the date of mailing shall be considered as the date of filing. It does not matter when the court actually receives the mailed pleading. Thus, in this case, as the pleading was filed by registered mail on July 27, 2007, within the reglementary period, it is inconsequential that the CA actually received the motion in October of that year.**"[34] (Emphasis supplied)

Verily, the Commission has jurisdiction to take cognizance of, and pass upon the matters/issues presented in the Appeal.

II. Appellants are not estopped from questioning the Assailed Resolutions

Appellees maintained in all their pleadings a consistent conviction that Appellants are now estopped from the questioning the Assailed Resolution on the ground that they previously sought the affirmation of the same. In this regard, We note the manner by which Appellees consistently emphasized and highlighted a portion of the prayer/relief sought by Appellants in the latter's Request for Reconsideration as follows:

> "WHEREFORE, it is **respectfully prayed that the Request for Reconsideration dated January 11, 2022 be DENIED for lack of merit and AFFIRM the ruling** of the Honorable Office in Resolution dated December 29, 2021 that Respondent Quality violated the Code of Conduct and Professional Ethics for Traders and Salesmen, Ethical

[34] Russel vs Ebasan (G.R. No. 184542, April 23, 2010)

> Standards Rule and Know Your Customers Rule." (Emphasis made by Appellees)[35]

The CMIC, on the other hand, which held the same position, emphasized a portion of the afore-quoted prayer in Appellants' Request for Reconsideration as follows:

> "WHEREFORE, it is respectfully prayed that the Request for Reconsideration dated January 11, 2022 be DENIED for lack of merit and **AFFIRM the ruling of the Honorable Office in Resolution dated December 29, 2021** that Respondent Quality violated the Code of Conduct and Professional Ethics for Traders and Salesmen, Ethical Standards Rule and Know Your Customers Rule." (Emphasis made by the CMIC)[36]

It does not escape the attention of this Commission how both the Appellees and the CMIC zeroed-in on the phrase where Appellants sought the affirmation of the Resolution dated December 29, 2021, and completely disregarded the rest of the sentence. While it is true that Appellants indeed sought the affirmation of the said resolution, a careful reading of the **entire** prayer/relief clause in Appellants' Request for Reconsideration will readily show that Appellants were seeking the affirmation of the Resolution dated December 29, 2021 insofar as it held Quality liable for violation of the CMIC Rules. In other words, what Appellants were requesting to be affirmed was the CMIC's finding "*that Respondent Quality violated the Code of Conduct and Professional Ethics for Traders and Salesmen, Ethical Standards Rule and Know Your Customers Rule*". This was the portion that both Appellees and the CMIC failed to consider. This portion is however important as it qualified and put a clear context to what Appellants were seeking from the CMIC in their Request for Reconsideration. In other words, had Appellees and the CMIC considered the prayer/relief clause in Appellants' Request for Reconsideration in its entirety instead of just focusing solely on the phrase "*AFFIRM the ruling of the Honorable Office in Resolution dated December 29, 2021*", it should not have been difficult for them to see that the same was qualified and/or limited by the finding on Quality's violation of the CMIC Rules, nothing more.

In the case of *Republic vs Sundiam*[37], the Supreme Court reiterated the concept of estoppel and its legal consequences as provided in Article 1431 of the Civil Code, thus:

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[35] Appellees' *Position Paper* dated 6 February 2023. Par. 25
[36] CMIC's *Position Paper* dated 24 January 2023. Par. 39
[37] G.R. No.236381, August 27, 2020

> "Pursuant to Article 1431 of the Civil Code, "[t]hrough estoppel an admission or representation is rendered conclusive upon the party making it, and cannot be denied or disproved as against the person relying thereon." Article 1433, in turn, classifies estoppel as either in pais (by conduct) or by deed. The classification is based on the common classification of estoppels into equitable and technical estoppel. In addition to estoppel in pais and by deed or record, estoppel may be by laches. Thus, laches is but a form of estoppel. It is in the concept of laches that estoppel is to be understood in this ruling of the Court."

Relative thereto, the reason for the adoption and application of the principle of estoppel in our jurisdiction was explained by the Supreme Court in Philippine National Bank vs The Honorable Intermediate Appellate Court[38], thus:

> In the case of *Philippine National Bank vs. Court of Appeals* (94 SCRA 357), where the bank manager assured the heirs of the debtor-mortgagor that they would be allowed to pay the remaining obligation of their deceased parents, the Supreme Court held that the bank must abide by its representations.
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> On equitable principles, particularly on the ground of estoppel, we must rule against petitioner Bank. The doctrine of estoppel is based upon the grounds of public policy, fair dealing, good faith and justice, and its purpose is to forbid one to speak against its own act, representations, or commitments to the injury of one to whom they were directed and who reasonably relied thereon. The doctrine of estoppel springs from equitable principles and the equities in the case. It is designed to aid the law in the administration of justice where without its aid injustice might result. It has been applied by this Court wherever and whenever the special circumstances of a case so demands." (Emphasis supplied)

In the instant Appeal, Appellants are questioning the Assailed Resolutions insofar as they failed to hold Teresita liable as a trading participant, independently of Quality, and to impose higher penalties on Quality. These matters are not covered by the declaration made by Appellants in the Request for Reconsideration which sought the affirmation of the Resolution dated December 29, 2021 insofar as it found "*that Respondent Quality violated the Code of Conduct and Professional*

[38] G.R. No. 66715, September 18, 1990

Ethics for Traders and Salesmen, Ethical Standards Rule and Know Your Customers Rule". In other words, while Appellants agree with (and have in fact accepted and are bound by) the finding that Quality has violated the CMIC Rules, Appellants are questioning the very same Assailed Resolutions in the instant Appeal insofar as they failed to hold Teresita liable as a trading participant, independently of Quality, and to impose higher penalties upon Quality which has already been found to violated the CMIC Rules.

On the basis thereof, the Commission finds and so holds that Appellants are not estopped from questioning the Assailed Resolutions insofar as they failed to hold Teresita liable as a trading participant, independently of Quality, and to impose higher penalties on Quality which was already found to have violated the CMIC Rules.

III. Appellee Teresita should be held administratively liable for violating the relevant provisions of the CMIC Rules, independently of Appellee Quality

We come now to the first of the two (2) main issues presented in the Appeal.

Appellants are resolute in challenging the Assailed Resolutions which failed to penalize Teresita, separately/independently of Quality, notwithstanding the fact that she had been found to have violated the Code of Conduct and Professional Ethics for Traders and Salesmen; the Ethical Standards Rule; and the Consumer Protection Rule. Appellants maintained that as a trader and salesman, Teresita was bound to hold the clients' interest paramount at all times[39], and to conduct business in an ethical and fair manner[40], which she allegedly failed to do.

CMIC on the other hand, maintains that the of imposition of appropriate penalties upon Quality for violation of the CMIC Rules already included Teresita by virtue of her current designation and role therein as its Director, EVP and Salesman. Thus, according to CMIC, specifically mentioning Teresita in the imposition of penalties was unnecessary, and a mere surplusage[41], since any imposition of a penalty for violation of Articles V, VI and VII of the CMIC Rules presupposes that a licensed trader and/or salesman has been implicated or is involved in the investigation.[42]

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[39] Appeal. Pars. 47 and 59
[40] *Ibid.* Pars. 55 and 56
[41] *Comment (on Appellants' Appeal Memorandum)* dated 1 June 2022. Par. 49
[42] *Ibid.* Pars. 52, 59 and 61

Appellees, for their part, maintain that Teresita cannot be held liable separately from Quality, for violation of the Code of Conduct and Professional Ethics for Traders and Salesmen because under Sections 1 and 2, Article XII of the CMIC Rules, a penalty imposed upon a Trading Participant is deemed to cover, and is effectively a penalty on, the natural person who committed the violation.[43]

We find the arguments of both the CMIC and Appellees to be bereft of merit and basis.

To begin with, the CMIC was categorical in admitting that Teresita, a trader, was found by it to have violated the Code of Conduct and Professional Ethics for Traders and Salesmen, which should render her liable.[44] The CMIC even went to the extent of quoting its 29 December 2021 Resolution which found Teresita specifically liable for violating Article V of the CMIC Rules, thus:

> "At any rate, the circumstances of this case, by substantial evidence, show that the trading participant, specifically, the trader, **Ms. Cu, is in violation of the Code of Conduct and Professional Ethics for Traders and Salesmen. xxx** In this case, although the issue of ownership remains to be resolved, **the acts of Ms. Cu**, insofar as the accounts of complainants are concerned, substantially demonstrate that good business practice and regard to the clients' interest have been compromised.
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> "**Irrespective of the ownership of the shares subject of this case, Ms. Cu, as a trader, should have ascertained that the complainants – who are registered as clients of the trading participant, as per the CAIFs – have been accorded due regard**.
>
> xxx xxx xxx
>
> "Considering that Ms. Cu is a salesman vested with fiduciary duties, she should have exercised the necessary diligence required of trading participants. **CMIC, therefore, concludes that there is substantial evidence proving Ms. Cu's violation of Article V, Section 2 of the CMIC Rules together with QUALITY**."[45] (Emphasis supplied)

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[43] *Comment/Opposition* dated 3 June 2022. Par. 49
[44] *Comment (on Appellants' Appeal Memorandum)* dated 1 June 2022. Par. 49
[45] See Pars. 2, 3 and 5 (pages 22 and 23)

With the liability of Teresita for violation of the Code of Conduct and Professional Ethics for Traders and Salesmen having been established, We will now proceed to determine (a) if she also violated the Ethical Standards Rule and committed Trading-Related Irregularities which were covered by the Assailed Resolutions, and (b) if she can be penalized as a trader, separately/independently of Quality. This is consistent with the rule established in jurisprudence that a case elevated on appeal is opened and subjected to the review of the appellate body/tribunal which is clothed with the power and authority to sustain, modify or reverse the appealed judgment, decision or resolution. This principle was emphasized in *United Coconut Planters Bank v. Sps. Uy,* citing the case of *Heirs of Alcaraz v. Republic of the Phils.*, where the Supreme Court categorically ruled that:

> "In any event, when petitioners interposed an appeal to the Court of Appeals, **the appealed case was thereby thrown wide open for review** by that court, **which is thus necessarily empowered to come out with a judgment as it thinks would be a just determination of the controversy**. Given this power, the **appellate court has the authority to either affirm, reverse or modify the appealed decision** of the trial court. **To withhold from the appellate court its power to render an entirely new decision would violate its power of review** and would, in effect, render it incapable of correcting patent errors committed by the lower courts."[46] (Emphasis supplied)

By filing/presenting their respective pleadings/arguments to this Commission in relation to the instant appeal, the parties herein have recognized and invoked the authority of the Commission to independently investigate, review and pass upon all matters covered in the instant case, and to "*affirm, reverse or modify the decision, final order or resolution appealed from*."[47] This is also recognized in Article XII, Section 9 of the CMIC Rules which provides for the authority of the Commission to review the findings of the CMIC and impose the appropriate sanctions based thereon.

In relation to Article XI(B), Section 1(d) [Trading-Related Irregularities] of the CMIC Rules, the CMIC deferred the determination of Quality's alleged violation thereof on the ground that the question of ownership over the shares subject of the instant case are currently the subject of an interpleader case pending the regular courts. The said provision, in part, states:

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[46] G.R. No. 204039, January 10, 2018.

[47] Section 3-12, Rule III of Part V of the 2016 Rules of Procedure of the Securities and Exchange Commission.

> "**Section 1.** ***General Conduct***. In addition to the manipulative and fraudulent practices prohibited by the Securities Laws, a Trading Participant **shall not**:
>
> xxx xxx xxx
>
> (d) **Do any act or engage in any course of conduct which is likely to damage the fairness or integrity of the Exchange's markets**; xxx" (Emphasis supplied)

The afore-quoted provision expressly prohibits trading participants from doing any act which is likely to damage the integrity of the capital market. For purposes of applying this provision, the CMIC is mandated to evaluate and/or determine if the act, *per se*, of the Trading Participant will likely damage the integrity of the Exchange's markets. If the evaluation/determination yields an affirmative answer, then the Trading Participant should be penalized accordingly for a violation that is classified as "grave" under Article XII Section 3(a)(iii).

In the instant case, the CMIC already found that Teresita disposed of the shares of the Appellants who are the registered clients of Quality, at the behest of a person whom she considered as the beneficial owner of such shares, to wit:

> "xxx. In this case, although the issue of ownership remains to be resolved, **the acts of Ms. Cu, insofar as the accounts of the complainants are concerned, substantially demonstrate the good business practice and regard to clients' interest have been compromised**.
>
> **Irrespective of the ownership of the shares subject of this case, Ms. Cu, as trader, should have ascertained that the complainants – who are registered as clients of the trading participant, as per the CAIFs – have been accorded due regard**. However, based on the facts and the records of this case, Ms. Cu herself admitted that, for the accounts of the complainants, she had only communicated, to a great extent, with Ms. Sy. This condition alone lends credence to the initial finding that good business practice was wanting. **It is certain that dealing solely with an individual, who is neither registered as a client nor expressly stated as the ultimate beneficial owner on the pertinent CAIFs, for a number of years and with regard to**

a series of transactions is beyond the ambit of good business practice."[48] (Emphasis supplied)

This act, *per se*, is likely to damaged the integrity of the Exchanges market because if not penalized, it will send out a message to the investing public that Trading Participants have the discretion to recognize a beneficial owner of shares and validly dispose of the same to the prejudice of the registered owners in the books/record of the broker/dealer. In fact, under the afore-quoted ruling, the CMIC emphasized that Teresita was duty-bound to consider the interests of Appellants by virtue of their being registered clients, and regardless of the ownership thereof. Thus, this Commission finds and so holds that the very act of Teresita in disposing of the shares of Appellants at the behest of a person whom she considered as the beneficial owner, constitutes a violation of Article XI(B), Section 1(d) [Trading-Related Irregularities] of the CMIC Rules. If sustained, the likelihood that the integrity of the Exchange's markets will be damaged is certain. As correctly pointed out by the CMIC, Teresita's act "*is beyond the ambit of good business practice*" and will compromise the investing public. This Commission will not allow such act.

On the other hand, Article VI, Section 1(a),(b)(i) and (ii) [Ethical Standards Rule], provides:

"**Section 1. *Ethical Standards Rule***. (a) Every Trading Participant and Associated Person and salesman of a Trading Participant (hereinafter referred to as a "Registered Person"), **in the conduct of <u>his</u> business, shall observe high standards of commercial honor and just and equitable principles of trade**.

(b) In considering whether a Registered Person is conducting his business in an ethical and fair manner, CMIC, in addition to the requirements imposed under the 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 <u>his</u> client and for the integrity of the market**.

xxx xxx xxx

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[48] CMIC *Resolution* dated 29 December 2021. See Pars. 3 and 4 (page 22)

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

The afore-quoted provision again mandates <u>every</u> Trading Participant, associated person or salesman to observe high standards of commercial honor, and just and equitable principles of trade, by acting honestly, fairly and with due care and diligence, in the best interest of their clients, for the main purpose of promoting the integrity of the market. The use of the word "his" undoubtedly reveals an intent to include the individual associated person, trader or salesman, and not only the corporate broker/dealer, all of whom are covered by the term Trading Participant. In this regard, it does not escape the attention of this Commission that the finding of violation made by the CMIC was <u>limited</u> to the corporate broker/dealer i.e. Quality, to wit:

> "As discussed in the preceding sections of this resolution, QUALITY's fiduciary duties to the complainants are not negated by the fact that Ms. Sy may subsequently be adjudged as the sole owner of the shares. xxx. **As such, QUALITY has the duty to address their concerns in a timely and adequately manner, regardless of its belief that Ms. Sy is the beneficial or sole owner of the shares**.
>
> Indeed, **it is unusual, if not reprehensible, for a trading participant to refuse registered clients' requests for the production of documents relative to their accounts on the ground that they are not the beneficial owners of the pertinent securities.**"[49] (Emphasis supplied)

However, as earlier established, Teresita, the trader who was handling the accounts of Appellants from the start, expressly admitted having sold the shares of Appellants, and refused to provide the latter with the requested documents on the ground that she recognized the beneficial ownership of Leticia over the said shares. This renders her individually liable for violation of the Ethical Standards Rule as this specific act of Teresita will undoubtedly compromise the integrity of the markets, and erode the investing public's confidence in the same. In this regard, the CMIC correctly ruled that such act is detrimental to the markets in general, to wit:

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[49] CMIC *Resolution* dated 29 December 2021. See Pars. 2 and 3 (page 26)

> "**For CMIC to countenance this arrangement** – which has been foisted by the trading participant on individuals it, as a matter of fact, has recognized as clients – **will not only deride the rudiments of the Ethical Standards Rule, <u>but will also establish a precedent that, without doubt, will cause a panoptic detriment to the investors and the capital markets in general</u>**." (Emphasis supplied)

On account thereof, this Commission finds and so holds that Teresita is, by her actions, has violated Article VI, Section 1(a),(b)(i) and (ii) [Ethical Standards Rule] and should be held liable separately from Quality.

The CMIC Rules are in place, and are being implemented by the CMIC for the important purpose of maintaining the integrity of the market and minimizing the risk of the investing public.[50] This is consistent with the State policies embodied in the Securities Regulation Code (the "SRC") on the promotion of the development of the capital market, the protection of investors, and the minimization if not the total elimination if insider trading and other fraudulent or manipulative practices, to name a few.[51]

To ensure that the foregoing policies are implemented and the objectives of the SRC are achieved, Sections 28.1 and 28.2 of the SRC expressly provides that "*[n]o 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*", and a registered broker or dealer is prohibited from employing "*any salesman or any associated person, and no issuer shall employ any salesman, who is not registered as such with the Commission*."[52] These provisions categorically require that **both** a corporate broker/dealer **and** the salesman or any associated person employed by it must be registered with the Commission if they are to lawfully and validly offer, sell or deal with securities. A corporate broker/dealer must secure its own license, **and** the salesman or any associated person under its employ must equally secure his/her separate license with the Commission.

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[50] Article I, Section I of the CMIC Rules
[51] Section 2 of the Securities Regulation Code.
[52] Article IV, Section 2 of the CMIC Rules provides that "[a] person shall not be employed as a Salesman or Associated Person of a Trading Participant unless the required registration as such is secured from the Commission. Every person registered as a Salesman or Associated Person shall file the appropriate registration renewal form with the Commission and renew his license on an annual basis. Nevertheless, a Salesman's registration shall cease to be effective upon his resignation or termination of employment with the Trading Participant."

These provisions and the specific requirements provided therein are intended to ensure full compliance with the securities laws, rules and regulations, which include the CMIC Rules, and more importantly, to exact accountability on the part of **both** the corporate broker/dealers and/or their respective salesman or any associated person, for the protection of the investing public. The license of a corporate broker/dealer is different from the license of its salesman or associate person, and the law expressly requires that these licenses be kept current and subsisting while they are engaged in the sale or offer of securities to the public. Hence, a violation by a corporate broker/dealer of the securities laws, rules or regulations may result in the suspension or revocation of its license. In a similar manner, a violation by a salesman or any associated person of corporate broker/dealer of the securities laws, rules or regulations may result in the suspension or revocation of his/her license.[53]

The foregoing is the proper context and perspective that should be considered and applied in interpreting the term "Trading Participants" in Article I Section 2 of the CMIC Rules.[54] In this regard, We hold that the phrase "*the term shall include directors, officers, Associated Persons, Salesmen and other agents of the Trading Participants*" in the said provision is intended to specify the persons who are acting as broker/dealers pursuant to a license issued by the Commission. It means that all **licensed** directors, officers, associated persons, salesmen and other agents of a **licensed** corporate broker/dealer are Trading Participants, and are equally bound to comply with the duties and responsibilities prescribed under the securities laws, including the CMIC Rules. Thus, any violation made by a licensed trader, associated person, or salesman of the relevant provisions of the CMIC Rules renders them liable as a Trading Participant, independently of the corporate broker/dealer.

To hold otherwise, as what both the CMIC and Appellees are suggesting, would result in effectively giving premium to wrongdoing and infractions made by licensed directors, officers, associated persons, salesmen and other agents of a corporate broker/dealer, who can conveniently hide behind the cloak of their corporate broker/dealer which will be made to assume the consequences for such violation. The unreasonableness of this position/argument is highlighted in cases where the registered corporate/dealer has not committed a wrongdoing but is nonetheless penalized for the violation(s) of its licensed directors, officers, associated persons, salesmen and other agents. This is certainly

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[53] See Section 29 of the SRC

[54] The authority of the SEC to implement the SRC, its IRR and other securities laws and regulations, as well as to supervise SROs, necessarily includes the power to interpret implementing rules and regulations. See *F. Yap Securities Inc. vs. CMIC*, (SEC En Banc Case No. 07-20-385)

not the intent of our securities laws, rules and regulations which include the CMIC Rules. More importantly, a contrary position cannot be sustained as it completely ignores or renders useless the separate licenses that were issued to these directors, officers, associated persons, salesmen and other agents - the very basis for their individual authority to deal in securities. What is the statutory purpose then in requiring these persons to secure separate licenses if at the end of the day, their violations will be assumed by their respective corporate broker/dealers, thus rendering their inclusion in any administrative case a mere surplusage? This is contrary to the intent of securities laws, rules and regulations to exact accountability from licensed directors, officers, associated persons, salesmen and other agents who are all Trading Participants.

The CMIC Rules in fact imposes upon all registered directors, officers, associated persons, salesmen and other agents the duty to observe and maintain the highest ethical standards in the conduct of their business and in their dealings with their respective clients.[55] In the same manner, the CMIC Rules hold all registered directors, officers, associated persons, salesmen and other agents accountable, separately of their registered employer(s), and imposes upon them the appropriate penalties. Thus, a trader or salesman who, for instance, is found guilty of bribery under Article V, Section 7 of the CMIC Rules, which is classified as a major violation under Article XII, Section 2(b)(iii), should be meted the penalties provided in Article XII, Section 4(b). The penalties prescribed under Article XII, Section 4 are intended to be imposed on the erring Trading Participant, and that includes either the registered corporate broker/dealer and/or its registered directors, officers, associated persons, salesmen and other agents. There is nothing in these provisions which sanction the assumption by the corporate broker/dealer of the liability that should be imposed upon the trader or salesman who is found guilty of the CMIC Rules.

The Commission takes administrative notice of the case of *Vitas v. Papa Securities Corporation and Soriano*[56], where both the registered corporate broker/dealer, Papa Securities, and its registered salesman, Mr. Soriano, were found to have violated the CMIC Rules. In the said case, the CMIC imposed upon Mr. Soriano the penalty of written reprimand and a fine of Pesos: Thirty Thousand (PHP 30,000.00), separately/independently of Papa Securities, for violating the Ethical Standards Rule. This Commission sustained the CMIC's finding as well as the imposition of penalty on Mr. Soriano. Verily, the CMIC is well aware and has in fact implemented the rule that a registered trader, salesman,

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[55] See Article V, Sections 1 and 2 (Code of Conduct and Professional Ethics for Traders and Salesmen); Article VI, Section 1 (Ethical Standards Rule); Article XII-B, Section 1
[56] SEC En Banc Case No. 12-13-312, September 26, 2019.

director, officer, associated person or agent can be penalized separately from the registered corporate broker/dealer.

At this juncture, it is apt to point out that the recognition of the liability and imposition of the appropriate penalty(ies) on the individual trader, salesman, associated person or agent is consistent with best practices in other jurisdictions. In this regard, We take cognizance of the fact that in the United States, the Financial Industry Regulatory Authority (the "FINRA"), an SRO, has been granted the authority by the U.S. Congress to penalize individuals who are found to have violated relevant laws, rules and regulations[57], to exact accountability from firms and associated persons, to deter misconduct and to uphold high standards in the conduct of business, and to protect the investing public.[58]

The Commission, therefore, does not agree with the CMIC and Appellees that the inclusion of Teresita as respondent, and the imposition upon her of the appropriate penalties based on the finding that she has violated the relevant CMIC Rules, are mere surplusages, and were thus unnecessary. We hold that Teresita's inclusion in the instant case is necessary and imperative as it is meant to exact accountability for her violations of the CMIC Rules. This will assure the investing public not only of the protection which the securities laws, rules and regulations has guaranteed, but more importantly, of the integrity of the capital market. The sanctions provided in the securities laws, rules and regulations, which include the CMIC Rules, are intended, among others, to penalize any Trading Participant which covers the registered corporate broker/dealer and/or its registered directors, officers, associated persons, salesmen and other agents, including the suspension/revocation of their licenses, if they are shown to be incapable of living up to the highest ethical standards set by the securities laws, rules and regulations.

In the instant case, the CMIC confirmed that Teresita is a trader of Quality.[59] In this regard, the Commission takes administrative notice of the fact that based on its records, Teresita was issued a license to act as a trader of Quality. Teresita was thus able to process and facilitate the trade transactions covering the shares of Appellants pursuant to, and on the basis of her license as a Trading Participant. Without such license, Teresita would not have been able to validly and lawfully process, facilitate and effect such transactions using merely the license of Quality as a broker/dealer. The performance by Teresita of such functions on the basis of her license is what made her accountable and liable for the

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[57] FINRA, Rules Guidance, Enforcement; Sanction Guidelines;https://www.finra.org/sites/default/files/Sanctions_Guidelines.pdf
[58] *Id.*
[59] See Resolution dated 29 December 2021. Page 22

violations of the CMIC Rules which the CMIC has found. Consequently, having established by substantial evidence that Teresita has violated the Code of Conduct and Professional Ethics for Traders and Salesmen, the Ethical Standards Rule, and has committed Trading-Related Irregularities, the imposition upon her of the appropriate penalties is warranted.

Applying Article XII, Section 4 of the CMIC Rules, in relation to Section 2 of the same Article, the following penalties should be imposed upon Teresita:

(a) For violation of Article XI(B), Section 1(d) [Trading-Related Irregularities] of the CMIC Rules, which is a grave violation, the Commission, in the exercise of its oversight authority under Section 9 of Article XII of the CMIC Rules, deems it proper to impose upon Teresita a fine in the amount of Pesos: Two Hundred Thousand Pesos, and to BAR her from entry into or employment in any kind of commercial association with the Exchange or other Trading Participant for a period of two (2) years;
(b) For violation of Article V, Section 1(a) and (f) [Code of Conduct and Professional Ethics for Traders and Salesmen], which is a major violation, the penalty of WRITTEN REPRIMAND and Fines totaling Pesos: One Hundred Twenty-Five (PhP125,000.00) should be imposed;
(c) For violation of Article VI, Section 1(a),(b)(i) and (ii) [Ethical Standards Rule], which is a major violation, the penalty of WRITTEN REPRIMAND and Fines totaling Pesos: One Hundred Twenty-Five (PhP125,000.00) should be imposed;

The foregoing penalties took into consideration the nature and number of violations committed by Teresita which, under Article XII, Section 5 of the CMIC Rules, should be treated as "*one and separate violation and shall not treat several counts of violations arising from the same set of facts as a single violation*".

IV. The penalties that should be imposed upon Quality are limited to the violations that can be determined based on the evidence.

In their Appeal, Appellants maintained that heavier sanctions should be imposed upon Quality for repeated violations of the CMIC Rules involving three (3) registered clients. Appellants argued that the causes of actions which they have against Quality i.e. totaling ten (10) reveals the gravity of the violation which justify the same.

The CMIC held a contrary position. The CMIC maintained that it cannot rule on the alleged unauthorized disposition of shares of Appellants (and impose the appropriate sanctions in case of finding of violation) since the issue on ownership over the shares is still pending with the RTC in the interpleader cases filed with the latter. Thus, the penalties that were imposed upon Quality were due to (and limited) its failure to recognize Appellants as its registered clients. The Appellees agree with, and have adopted the position of the CMIC.

The Commission holds that Quality can only be penalized for violations that can be proven by the evidence on record. While violations which necessitate proof of ownership over the shares cannot, at this time, be determined by the CMIC and even this Commission, considering that an interpleader cases have been filed with, and are pending before the regular courts,[60] there are violations which does not involve ownership of shares that both the CMIC and this Commission can determine and rule upon.

As shown earlier, Article XI(B), Section 1(d) [Trading-Related Irregularities] of the CMIC Rules, Article V, Section 1(a) and (f) [Code of Conduct and Professional Ethics for Traders and Salesmen], and Article VI, Section 1(a), (b)(i) and (ii) [Ethical Standards Rule] (hereinafter collectively referred to as the "Relevant Provisions"), are provisions that are designed to protect investors and uphold the integrity of the markets. Adherence to, and compliance with such provisions are imperative, and are not subject to prior determination of the owners of shares. Thus, in the case of example of Article V, Section 1(a) and (f) [Code of Conduct and Professional Ethics for Traders and Salesmen], the CMIC itself correctly ruled that, "*[i]rrespective of the ownership of the shares subject of this case, Ms. Cu, as a trader, should have ascertained that the complainants – who are registered as clients of the trading participant, as per the CAIFs – have been accorded due regard*."

On the basis thereof, Quality can therefore be penalized if shown to have violated the Relevant Provisions.

The records and evidence show that Quality was found by the CMIC to have violated the Code of Conduct and Professional Ethics for Traders and Salesmen, and the Ethical Standards Rule, where the appropriate

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[60] In *Calvo vs Zandueta* (G.R. No. 26418, November 18, 1926), the Supreme Court affirmed the stay of execution of the judgment of the trial court due to an interpleader that was pending that was brought based on a party's claim of ownership of land. The High Court ruled that: Whenever necessary to promote the ends of justice, courts have the undoubted power temporarily to stay executions of judgments rendered by them."

penalties were imposed upon the former. We find no compelling reason to disturb such finding.

As regards the alleged violation of Article XI(B), Section 1(d) [Trading-Related Irregularities] of the CMIC Rules, the evidence shows that it was Teresita who, from the start, was dealing with and disposing of the shares of Appellants at the behest of a person whom she considered as the beneficial owner. Quality cannot thus be considered to have violated the said provision. However, considering that Teresita was using the facilities and even the license of Quality to perpetrate a prohibited act, has clearly failed to supervise its officers, employees and authorized representatives in violation of Article VI, Section 1(b)(iii)(b) of the CMIC Rules.[61] This violation is classified as "major violation" under Article XII, Section 3 of the CMIC Rules.

On account thereof, the penalty of WRITTEN REPRIMAND and Fines totaling Pesos: One Hundred Twenty-Five (PhP125,000.00) should be imposed upon Quality, in addition to the penalties already imposed by the CMIC. This is without prejudice to the finding by the CMIC of other violations, after notice and hearing, subsequent to the determination by the proper court of the ownership of the shares in the interpleader cases.

WHEREFORE, premises considered, the *Appeal Memorandum* filed by the Appellants Liberata Sy Cham, Emerson Merrill S. Champ, and Luis C. Sy is hereby **PARTLY GRANTED**.

The following penalties are hereby imposed upon Teresita P. Cu:

(d) For violation of Article XI(B), Section 1(d) [Trading-Related Irregularities] of the CMIC Rules, Teresita P. Cu is hereby fined in the amount of Pesos: Two Hundred Thousand Pesos, and is BARRED from entry into or employment in any kind of commercial association with the Exchange or other Trading Participant for a period of two (2) years from receipt of this Decision;

(e) For violation of Article V, Section 1(a) and (f) [Code of Conduct and Professional Ethics for Traders and Salesmen], a WRITTEN REPRIMAND and Fines totaling Pesos: One

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[61] "(b) A Registered Person shall ensure that at all times, pursuant to SRC Rule 30.2, paragraph 7, he has:

(1) Adequate resources to diligently supervise and does diligently supervise his employees and all persons appointed by him to conduct business for or with clients or any other registered persons; and

(2) Satisfactory internal control procedures and financial and operational capabilities which can be reasonably be expected **to protect** his operations, **his clients** and other registered persons **from financial loss arising from theft, fraud and other dishonest acts, or professional misconduct** or omissions **of all company officers, employees and authorized representatives**." (Emphasis supplied)

Hundred Twenty-Five (PhP125,000.00) is hereby imposed upon Teresita P. Cu; and

(f) For violation of Article VI, Section 1(a),(b)(i) and (ii) [Ethical Standards Rule], a WRITTEN REPRIMAND and Fines totaling Pesos: One Hundred Twenty-Five (PhP125,000.00) is hereby imposed upon Teresita P. Cu;

Moreover, the additional penalty of WRITTEN REPRIMAND and Fines totaling Pesos: One Hundred Twenty-Five (PhP125,000.00) is hereby imposed upon Quality Investments & Securities Corporation. The findings of the CMIC in the Assailed Resolution which are not inconsistent with this Decision are hereby **AFFIRMED**.

SO ORDERED

Makati City.

EMILIO B. AQUINO
Chairperson

JAVEY PAUL D. FRANCISCO
Commissioner

KELVIN LESTER K. LEE
Commissioner

KARLO S. BELLO
Commissioner

MCJILL BRYANT T. FERNANDEZ
Commissioner