Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Bldg. EDSA, Greenhills, Mandaluyong City

SARANGANI SECURITIES, INC.,
Appellant,

- versus -

SEC En Banc Case No. 10-11-246
For: Appeal

MARKET INTEGRITY BOARD OF THE PHILIPPINE STOCK EXCHANGE, INC.,
Appellee.

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DECISION

For consideration of the Commission *En Banc* is the Appeal filed by Sarangani Securities, Inc. (hereinafter referred to as "Appellant") seeking the reversal of the decision of the Market Integrity Board of the Philippine Stock Exchange (hereinafter referred to as "Appellee"), which denied the motion for reconsideration filed by appellant and affirmed the Decision and findings of the Market Regulatory Division of the Philippine Stock Exchange ("hereinafter referred to as "MRD").

The facts of the case are as follows:

On 3 July 2008, Appellant and MRD met for an Audit Exit Conference.[1] The MRD, after having conducted its regular examination of the books and records of the Appellant, sent the Appellant a letter dated 08 July 2008 containing a summary of its audit findings and directing it to explain the same within five (5) days from receipt thereof.[2]

On 15 July 2008, Appellant submitted to the MRD its response to the Summary of Audit Findings.[3]

On 18 July 2008, the MRD sent the Appellant a copy of its Decision[4] which imposed upon Appellant non-monetary sanctions, viz –

[1] Records, p. 93.
[2] Id., pp. 48-49, 95-96.
[3] Id., p.94.

"xxx Upon evaluation of the audit findings based on your referenced examination, the Market Regulation Division ("MRD") has decided to impose the following sanctions on your firm for failure to comply with the relevant provisions of the Securities Regulation Code ("SRC") and its implementing rules and regulations (the "SRC Rules"):

a) Incidence of non-compliance with SEC Memorandum Circular No. 12, Series of 2001; and

b) Incidence of non-compliance with Code of Conduct and Professional Ethics for Salesmen/Traders"

On 23 July 2008, Appellant sent a letter-appeal addressed to the MRD, which was received on the same date and was subsequently endorsed to the Appellee for its appropriate action.[5]

In a letter dated 03 December 2008, the Appellee informed the Appellant that its appeal was denied,[6] viz –

"xxx RESOLVED That, the finding by the Market Regulation Division ("MRD") of a violation by Sarangani Securities Inc. of SEC Memorandum Circular No. 12, Series of 2001 (Broker Director Rule) be, as it is hereby, affirmed and the appeal taken therefrom by said trading participant be, as it is hereby denied.

RESOLVED Further, that, the sanction imposed by the MRD citing Sarangani Securities Inc. for non-compliance – first violation of SEC Memorandum Circular No. 12, Series of 2001 be as it is hereby likewise affirmed.

RESOLVED Furthermore, that the finding by the MRD of a violation by Sarangani Securities Inc. of the Code of Conduct and Professional Ethics for Salesmen/Traders and the imposition of the sanction non-compliance – first violation be as they are hereby affirmed and the appeal taken therefrom by said trading participant be, as it is hereby denied.

RESOLVED Finally, that Mr. Ian Antonino be, as he is thereby directed to comply with the regulations and maintain only one account."

Hence, the instant appeal. Appellant, in a letter dated 16 December 2008, appealed with the Commission the Appellee's decision.[7] On 30 September 2011, the Commission issued an Order directing Appellant to file a verified Memorandum of Appeal and to pay the corresponding

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[4] Records, pp. 46 - 47, 91 – 92.
[5] Id., pp. 30 - 44, 75 - 89.
[6] Id., pp. 28 - 29, 73 - 74.
[7] Id., pp. 11 - 12.

docket fee within fifteen (15) days from receipt of the Order,[8] which was complied with on 18 October 2011.[9]

Appellant asserts that the Appellee and the MRD erroneously imposed against it the prescribed sanction in the amount of P20,000.00 to P50,000.00 for each of the alleged violations committed by Appellant. It implores the leniency of the Commission considering that said violation was the first offense of such kind by Appellant and was merely an oversight and a misunderstanding of the rules on its part.

On 24 October 2011, the Commission issued an Order directing the Appellee to file a Reply Memorandum within ten (10) days from receipt of said Order,[10] which was complied with on 08 November 2011.[11]

The ultimate issue to be resolved in this Appeal is whether the Appellee erred in upholding the Decision of the MRD against Appellant.

The Appeal is without merit.

Contrary to Appellant's claim that MRD imposed against it a monetary penalty of P20,000.00 to P50,000.00, the MRD's 18 July 2008 Decision clearly imposed non-monetary sanctions of "incidence of non-compliance" against Appellant, viz –

> "xxx Upon evaluation of the audit findings based on your referenced examination, the Market Regulation Division ("MRD") has decided to impose the following sanctions on your firm for failure to comply with the relevant provisions of the Securities Regulation Code ("SRC") and its implementing rules and regulations (the "SRC Rules"):
>
> c) **Incidence of non-compliance with SEC Memorandum Circular No. 12, Series of 2001; and**
>
> d) **Incidence of non-compliance with Code of Conduct and Professional Ethics for Salesmen/Traders"**

Accordingly, the Appellee correctly affirmed MRD's 18 July 2008 Decision and Findings.

Moreover, the Memorandum for Brokers No. 2009-0268 dated 8 May 2009[12] shows that Appellant is not included among those trading participants imposed with monetary penalties as a result of the 2008 regulatory examination. It must be emphasized that a sanction of "incidence of non-compliance" does not bring with it a corresponding monetary penalty. It constitutes a mere

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[8] Records, p. 16.
[9] Id., pp. 22 - 56.
[10] Id., p. 60.
[11] Id., p. 62 - 107.
[12] Results of the 2008 Annual Regulatory Examination of Eighty-Nine (89) Trading Participants; Id., pp 62. 72.

citation, and as clarified by Appellee in its Reply Memorandum, is of lesser severity than a written reprimand or warning.[13]

Lastly, Appellant does not dispute in its Memorandum of Appeal the fact of its commission of a violation of the pertinent rules of the Commission. Instead, it merely seeks to have the penalty reduced from monetary to non-monetary arguing that the violations have been committed inadvertently or unintentionally, and for the first time.

WHEREFORE, premises considered, the appeal is **DENIED** for lack of merit.

Let a copy of this Decision be furnished to the Market Regulation Department and the Economic Research & Information Department of the Commission for their information and appropriate action.

SO ORDERED.

22 August 2013, Mandaluyong City, Philippines.

TERESITA J. HERBOSA
Chairperson

MA. JUANITA E. CUETO
Commissioner

MANUEL HUBERTO B. GAITE
Commissioner

ELADIO M. JALA
Commissioner

ANTONIETA F. IBE
Commissioner

[13] Records, p. 102.

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