

## SECOND DIVISION

[ G.R. NO. 165382, August 17, 2006 ]

**UNION BANK OF THE PHILIPPINES, PETITIONER, VS.  
SECURITIES AND EXCHANGE COMMISSION, MABASA AND  
COMPANY, INC., AND SHERIFF NORBERTO MAGSAJO, JR. OF THE  
OFFICE OF THE EX-OFFICIO SHERIFF - REGIONAL TRIAL COURT  
OF MAKATI CITY, RESPONDENTS.**

### D E C I S I O N

**PUNO, J.:**

Before us is a petition for review on certiorari under Rule 45 of the Rules of Court, seeking to set aside and reverse the August 13, 2004 Decision<sup>[1]</sup> and September 27, 2004 Resolution<sup>[2]</sup> of the Court of Appeals (CA) which upheld the Order<sup>[3]</sup> and Writ of Execution,<sup>[4]</sup> both dated July 8, 2003, issued by public respondent Securities and Exchange Commission (SEC) in SEC-AC No. 685.

First, we unfurl the facts.

In 1970, private respondent Mabasa & Company, Inc. (Mabasa) owned and held certificates of stock representing 4,532 shares in International Corporate Bank (ICB). Private respondent Mabasa also acquired from Vicente Tan certificates of stock representing 3,098 ICB shares. Private respondent repeatedly requested ICB to allow it to inspect ICB's corporate books and to record the transfer of the 3,098 shares it acquired from Tan. ICB, however, failed to act on private respondent's requests.

On March 31, 1993, private respondent filed with the Prosecution and Enforcement Department (PED) of public respondent SEC an action to compel ICB to allow it to inspect ICB's corporate books and to record the transfer of the 3,098 shares it acquired from Tan. The case was docketed as PED Case No. 93-1360. On December 15, 1993, the PED dismissed the case without prejudice to the filing of another complaint with the Securities Investigation and Clearing Department (SICD) of public respondent SEC where jurisdiction properly pertained.

Meanwhile, ICB merged with petitioner Union Bank of the Philippines (UBP), with the latter as the surviving corporation. Under the terms of the merger, petitioner assumed all the liabilities and obligations of ICB so that any accrued claims or pending actions or proceedings against ICB may be prosecuted against petitioner.

Accordingly, private respondent Mabasa filed a Petition<sup>[5]</sup> with the SICD against petitioner UBP, praying: (a) that it be allowed to inspect petitioner's corporate books; (b) for petitioner to record the transfer to private respondent of the 3,098 shares it acquired from Tan; (c) to replace or reissue private respondent's shares and the dividends due thereon; and (d) if replacement or reissuance is not possible,

to pay the fair market value thereof plus damages. The case was docketed as SEC Case No. 05-96-5336.

In its Decision<sup>[6]</sup> dated June 28, 1999, the SICD ruled in favor of private respondent Mabasa, viz:

WHEREFORE, in view of the foregoing premises, JUDGMENT is hereby rendered in favor of petitioner and against respondent directing respondent:

- (1) To allow petitioner to inspect its corporate books;
- (2) To record the transfer of the 3,098 shares petitioner acquired from Vicente Tan;
- (3) To replace or to reissue petitioner's 4,532 ICB shares and 3,098 shares, or a total of 7,630 ICB shares, with the corresponding UBP shares at the ratio of 25 UBP shares to 1 ICB share, in accordance with paragraph 22 of the Plan of Merger between UBP and ICB, or a total of 190,750 UBP shares, plus all dividends thereon, if any;
- (4) In the event that the replacement or reissuance of 7,630 ICB shares or 190,750 UBP shares and all dividends arising therefrom is no longer possible, to pay petitioner their fair market value reckoned from the date of the filing of this petition;
- (5) To deter those with similar propensity, to pay petitioner the amount of FIFTY THOUSAND PESOS (P50,000.00) as exemplary damages; and,
- (6) To pay petitioner the amount of five hundred thousand pesos (P500,000.00) as attorney's fees, plus a further sum of TWO THOUSAND PESOS (P2,000.00) for every court appearance.<sup>[7]</sup>

Petitioner UBP filed a Motion for Reconsideration<sup>[8]</sup> of the SICD's decision, to no avail.<sup>[9]</sup> On September 6, 1999, petitioner filed an appeal with the SEC *en banc*,<sup>[10]</sup> docketed as SEC-AC No. 685.

Meantime, Republic Act No. 8799, otherwise known as the Securities Regulation Code, was approved by then President Joseph E. Estrada on July 19, 2000. The law transferred the SEC's original and exclusive jurisdiction over intra-corporate cases to the courts of general jurisdiction or the appropriate Regional Trial Court (RTC) except for "pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of [the] Code."<sup>[11]</sup>

On June 15, 2001, the SEC *en banc* affirmed the decision of the SICD with respect to the 4,532 shares but reversed it with respect to the 3,098 shares acquired from Tan, viz:

**Insofar as these 4,532 shares are concerned, we rule in favor of the petitioner-appellee.** Respondent-appellant had no right to sell petitioner-appellee's shares on the afore-cited grounds. Accordingly, we

affirm the decision of the hearing officer insofar as these shares are concerned.

x x x

**Accordingly, as regards the 3,098 shares acquired from Vicente Tan, we rule in favor of the respondent-appellant and against the petitioner-appellee.** Thus, the transfer of shares being not registered in the corporate books is valid only as regards the parties to the transfer and therefore, petitioner-appellee's right of action is against Vicente Tan, from whom the shares were acquired and who subsequently assigned the same to innocent parties who were unaware of the earlier conveyance and whose ownership of the shares were duly reflected in the corporate books.

WHEREFORE, the petition is hereby DISMISSED for lack of merit.

SO ORDERED.<sup>[12]</sup> (*emphases supplied*)

Thereafter, two separate appeals were brought to the CA. Petitioner UBP's Petition for Review<sup>[13]</sup> under Rule 43 of the Rules of Court was docketed as CA-G.R. No. 70896. It questioned the decision of the SEC *en banc* with respect to the 4,532 shares and the awards of exemplary damages and attorney's fees. Private respondent Mabasa's appeal, on the other hand, was docketed as CA-G.R. No. 70866 and pertained to the 3,098 shares it acquired from Tan.<sup>[14]</sup>

On September 13, 2002, the CA rendered its decision<sup>[15]</sup> in CA-G.R. No. 70896, the dispositive portion of which states:

WHEREFORE, premises considered, the present appeal is hereby DISMISSED and the decision appealed from in SEC AC No. 685 is hereby AFFIRMED with MODIFICATION in that the award of attorney's fees is hereby reduced from P500,000.00 to P250,000.00.

With costs against the petitioner.

SO ORDERED.<sup>[16]</sup>

Petitioner's motion for reconsideration was denied.<sup>[17]</sup> The decision became final and executory and was recorded in the book of entries of judgment.<sup>[18]</sup>

On May 6, 2003, private respondent Mabasa filed a Motion for Partial Execution with public respondent SEC,<sup>[19]</sup> viz:

WHEREFORE, in view of the foregoing, it is respectfully prayed that the decision in this case be partially executed and that a writ of execution be issued by this Honorable Commission ordering respondent:

1. To allow petitioner to inspect respondent's corporate books;
2. To replace or re-issue petitioner's 4,532 ICB or International Corporate Bank shares with the corresponding UBP or Union Bank

of the Philippines shares at the ratio of 25 shares to 1 ICB share, in accordance with paragraph 22 of the Plan of Merger between UBP and ICB or a total of 113,300 UBP shares, plus dividends thereon, if any;

3. In the event that the replacement or reissuance of 4,532 ICB shares or 113,300 UBP shares and all dividends arising therefrom is no longer possible, to pay petitioner their fair market value reckoned from the date of the filing of this petition or P34.50 per UBP share;
4. To pay petitioner the amount of FIFTY THOUSAND PESOS (P50,000.00) as exemplary damages.

Other reliefs just and equitable under the premises are likewise prayed for.<sup>[20]</sup>

Petitioner UBP filed an Opposition (To Petitioner's Motion for Partial Execution)<sup>[21]</sup> and a Supplemental Opposition (to Motion for Partial Execution).<sup>[22]</sup> It contended, among others, that under Section 5.2 of the Securities Regulation Code and Sections 1, 3 and 6 of its implementing guidelines, the SEC has lost its jurisdiction to further act on the instant case.

On July 8, 2003, the SEC *en banc* issued its assailed order<sup>[23]</sup> in favor of private respondent, viz:

WHEREFORE, premises considered, the MOTION FOR WRIT OF PARTIAL EXECUTION filed by petitioner Mabasa and Company, Inc. is hereby GRANTED. Accordingly, let a WRIT OF EXECUTION be ISSUED for the enforcement and complete satisfaction of the SEC AC No. 685 decision dated June 15, 2001.

SO ORDERED.<sup>[24]</sup>

The writ of execution directed the sheriff of the RTC of Makati City to implement the decision of the SEC *en banc* dated June 15, 2001 in SEC-AC No. 685.<sup>[25]</sup> Pursuant to Section 5.1(h) of R.A. No. 8799, the SEC requested the RTC of Makati City, through Executive Judge Hon. Sixto Marella, Jr., for the designation of a sheriff to enforce the writ.<sup>[26]</sup>

Petitioner filed a Manifestation and Urgent Motion to Defer Implementation of Writ of Execution<sup>[27]</sup> with public respondent SEC. It likewise filed a Petition for Certiorari with Very Urgent Prayer for Issuance of Temporary Restraining Order and/or Preliminary Injunction<sup>[28]</sup> with the CA, assailing the SEC's Order and Writ of Execution dated July 8, 2003 for having been issued without jurisdiction.

The CA dismissed the petition for lack of merit.<sup>[29]</sup> Petitioner filed a Motion for Reconsideration<sup>[30]</sup> but was denied.<sup>[31]</sup>

Hence, this Petition for Review on Certiorari which raises the following issues, viz:

1. Whether or not the Hon. Court of Appeals interpreted the law correctly in ruling that the term "resolve" includes "execution" under Sec. 5.3 (*sic*) of the Securities Regulation Code;
2. Whether or not the Hon. Court of Appeals interpreted the law correctly in ruling that the SEC still has jurisdiction to order execution of its decisions within or after the lapse of one (1) year from the enactment of the Securities Regulation Code; [and]
3. Whether or not the Hon. Court of Appeals interpreted the law correctly in ruling that the SEC can enlist the aid of a Sheriff from the Regional Trial Court of Makati City to execute its decision.<sup>[32]</sup>

The instant case falls under the category of intra-corporate cases over which public respondent SEC retained jurisdiction pursuant to the penultimate sentence of Section 5.2 of R.A. No. 8799, viz:

5.2. The Commission's jurisdiction over all cases enumerated under Section 5 of Presidential Decree No. 902-A is hereby transferred to the Courts of general jurisdiction or the appropriate Regional Trial Court: *Provided*, That the Supreme Court in the exercise of its authority may designate the Regional Trial Court branches that shall exercise jurisdiction over these cases. **The Commission shall retain jurisdiction over pending cases involving intra-corporate disputes submitted for final resolution which should be resolved within one (1) year from the enactment of this Code.** The Commission shall retain jurisdiction over pending suspension of payments/rehabilitation cases filed as of 30 June 2000 until finally disposed. (*emphasis supplied*)

The issue to be resolved is whether the SEC, after its decision in a case belonging to the above category of intra-corporate cases has become final and executory, retains the power to execute its subject decision.

Petitioner UBP posits the theory that the SEC retained jurisdiction over pending intra-corporate cases submitted for final resolution when R.A. No. 8799 took effect but, once decided, the SEC loses jurisdiction over said cases and the same are transferred to the RTC which shall execute the decision. Citing the rule in statutory construction that when the words of the law are clear, there is no room for interpretation, the SEC allegedly retained jurisdiction only over "pending" intra-corporate cases that have been submitted for resolution and not those that it had already "decided" for purposes of execution. It contends that the term "to resolve" is not the same as "to execute" and there is nothing to suggest that the former should include the latter. Further, the excerpt of congressional deliberations<sup>[33]</sup> cited in the assailed CA decision allegedly does not support the ruling that the SEC has jurisdiction to order the execution of its decisions within or after the lapse of one (1) year from the effectivity of R.A. No. 8799. Petitioner avers that the rationale for the retention of the SEC's jurisdiction over pending cases submitted for final resolution for purposes of deciding them on the merits is the SEC's familiarity with said cases. With respect to decided cases, however, there is no need for familiarity as execution is simply the ministerial function of implementing the dispositive portion of the decision. If the RTC encounters doubts in executing the decision of the SEC, it may refer to the body of the decision for guidance. Finally, since the SEC has no power to