



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

JOSE U. PUA and BENJAMIN G.R. No. 180064
HANBEN U. PUA,

Petitioners, Present:

- versus -

CITIBANK, N.A.,

Respondent.

CARPIO, J., Chairperson,
BRION,
DEL CASTILLO,
PEREZ, and
PERLAS-BERNABE, JJ.

Promulgated:

SEP 16 2013

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DECISION

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*¹ are the Decision² dated May 21, 2007 and Resolution³ dated October 16, 2007 of the Court of Appeals (CA) in CA-G.R. SP No. 79297, which reversed and set aside the Orders dated May 14, 2003⁴ and July 16, 2003⁵ of the Regional Trial Court of Cauayan City, Isabela, Branch 19 (RTC), dismissing petitioners Jose (Jose) and Benjamin Hanben U. Pua's (petitioners) complaint against respondent Citibank, N.A. (respondent).

The Facts

On December 2, 2002, petitioners filed before the RTC a Complaint⁶ for declaration of nullity of contract and sums of money with damages

¹ *Rollo*, Vol. 1, pp. 10-34.

² *Id.* at 38-56. Penned by Associate Justice Japar B. Dimaampao, with Presiding Justice Ruben T. Reyes (now retired Associate Justice of the Supreme Court) and Associate Justice Mario L. Guariña III, concurring.

³ *Id.* at 64-67. Penned by Associate Justice Remedios A. Salazar-Fernando, with Associate Justices Rosalinda Asuncion-Vicente and Enrico A. Lanzanas, concurring.

⁴ *Id.* at 176-185. Penned by Executive Judge Raul V. Babaran.

⁵ *Id.* at 211-214.

⁶ *Id.* at 69-81.

against respondent,⁷ docketed as Civil Case No. 19-1159.⁸ In their complaint, petitioners alleged that they had been depositors of Citibank Binondo Branch (Citibank Binondo) since 1996. Sometime in 1999, Guada Ang, Citibank Binondo's Branch Manager, invited Jose to a dinner party at the Manila Hotel where he was introduced to several officers and employees of Citibank Hongkong Branch (Citibank Hongkong).⁹ A few months after, Chingyee Yau (Yau), Vice-President of Citibank Hongkong, came to the Philippines to sell securities to Jose. They averred that Yau required Jose to open an account with Citibank Hongkong as it is one of the conditions for the sale of the aforementioned securities.¹⁰ After opening such account, Yau offered and sold to petitioners numerous securities¹¹ issued by various public limited companies established in Jersey, Channel Islands. The offer, sale, and signing of the subscription agreements of said securities were all made and perfected at Citibank Binondo in the presence of its officers and employees.¹² Later on, petitioners discovered that the securities sold to them were not registered with the Securities and Exchange Commission (SEC) and that the terms and conditions covering the subscription were not likewise submitted to the SEC for evaluation, approval, and registration.¹³ Asserting that respondent's actions are in violation of Republic Act No. 8799, entitled the "Securities Regulation Code" (SRC), they assailed the validity of the subscription agreements and the terms and conditions thereof for being contrary to law and/or public policy.¹⁴

For its part, respondent filed a motion to dismiss¹⁵ alleging, *inter alia*, that petitioners' complaint should be dismissed outright for violation of the doctrine of primary jurisdiction. It pointed out that the merits of the case would largely depend on the issue of whether or not there was a violation of the SRC, in particular, whether or not there was a sale of unregistered securities. In this regard, respondent contended that the SRC conferred upon the SEC jurisdiction to investigate compliance with its provisions and thus, petitioners' complaint should be first filed with the SEC and not directly before the RTC.¹⁶

Petitioners opposed¹⁷ respondent's motion to dismiss, maintaining that the RTC has jurisdiction over their complaint. They asserted that Section 63 of the SRC expressly provides that the RTC has exclusive jurisdiction to hear and decide all suits to recover damages pursuant to Sections 56 to 61 of the same law.¹⁸

⁷ Id. at 14.

⁸ The various pleadings filed by petitioners before the RTC were docketed as Civil Case No. 2387.

⁹ *Rollo*, pp. 39 and 70.

¹⁰ Id.

¹¹ Id. at 39 and 70-71. Namely, AERIS II, CERES II, and PALMYRA, issued by Aeris Finance, Ltd., Ceres II Finance, Ltd., and Palmyra Funding, Limited, respectively.

¹² Id. at 39 and 71.

¹³ Id. at 72 and 75-77.

¹⁴ Id. at 40-41.

¹⁵ Id. at 140-163. Dated January 10, 2003.

¹⁶ Id. at 152-155.

¹⁷ Id. at 164-173. Vigorous Opposition dated January 16, 2003.

¹⁸ Id. at 168-169.

The RTC Ruling

In an Order¹⁹ dated May 14, 2003, the RTC denied respondent's motion to dismiss. It noted that petitioners' complaint is for declaration of nullity of contract and sums of money with damages and, as such, it has jurisdiction to hear and decide upon the case even if it involves the alleged sale of securities. It ratiocinated that the legal questions or issues arising from petitioners' causes of action against respondent are more appropriate for the judiciary than for an administrative agency to resolve.²⁰

Respondent filed an omnibus motion²¹ praying, among others, for the reconsideration of the aforesaid ruling, which petitioners, in turn, opposed.²² In an Order²³ dated July 16, 2003, the RTC denied respondent's omnibus motion with respect to its prayer for reconsideration. Dissatisfied, respondent filed a petition for *certiorari* before the CA.²⁴

The CA Ruling

In a Decision²⁵ dated May 21, 2007, the CA reversed and set aside the RTC's Orders and dismissed petitioners' complaint for violation of the doctrine of primary jurisdiction. The CA agreed with respondent's contention that since the case would largely depend on the issue of whether or not the latter violated the provisions of the SRC, the matter is within the special competence or knowledge of the SEC. Citing the case of *Baviera v. Paglinawan*²⁶ (*Baviera*), the CA opined that all complaints involving violations of the SRC should be first filed before the SEC.²⁷

Aggrieved, petitioners moved for reconsideration,²⁸ which was, however, denied by the CA in a Resolution²⁹ dated October 16, 2007. Hence, this petition.

The Issue Before the Court

The essential issue in this case is whether or not petitioners' action falls within the primary jurisdiction of the SEC.

¹⁹ Id. at 176-185.

²⁰ Id. at 180-181.

²¹ Id. at 186-200. Dated June 2, 2003.

²² Id. at 202-210. Opposition with Motion to Declare Defendant in Default dated June 5, 2003.

²³ Id. at 211-214.

²⁴ Id. at 287-327. Dated September 15, 2003.

²⁵ Id. at 38-56.

²⁶ G.R. Nos. 168380 and 170602, February 8, 2007, 515 SCRA 170.

²⁷ *Rollo*, pp. 54-55.

²⁸ Id. at 357-371. Motion for Reconsideration dated June 7, 2007.

²⁹ Id. at 64-67.

Petitioners reiterate their original position that the SRC itself provides that civil cases for damages arising from violations of the same law fall within the exclusive jurisdiction of the regional trial courts.³⁰

On the contrary, respondent maintains that since petitioners' complaint would necessarily touch on the issue of whether or not the former violated certain provisions of the SRC, then the said complaint should have been first filed with the SEC which has the technical competence to resolve such dispute.³¹

The Court's Ruling

The petition is meritorious.

At the outset, the Court observes that respondent erroneously relied on the *Baviera* ruling to support its position that all complaints involving purported violations of the SRC should be first referred to the SEC. A careful reading of the *Baviera* case would reveal that the same involves a criminal prosecution of a purported violator of the SRC, and not a civil suit such as the case at bar. The pertinent portions of the *Baviera* ruling thus read:

A criminal charge for violation of the Securities Regulation Code is a specialized dispute. Hence, it must first be referred to an administrative agency of special competence, i.e., the SEC. Under the doctrine of primary jurisdiction, courts will not determine a controversy involving a question within the jurisdiction of the administrative tribunal, where the question demands the exercise of sound administrative discretion requiring the specialized knowledge and expertise of said administrative tribunal to determine technical and intricate matters of fact. The Securities Regulation Code is a special law. Its enforcement is particularly vested in the SEC. **Hence, all complaints for any violation of the Code and its implementing rules and regulations should be filed with the SEC.** Where the complaint is criminal in nature, the SEC shall indorse the complaint to the DOJ for preliminary investigation and prosecution as provided in Section 53.1 earlier quoted.

We thus agree with the Court of Appeals that petitioner committed a fatal procedural lapse when he filed his criminal complaint directly with the DOJ. Verily, no grave abuse of discretion can be ascribed to the DOJ in dismissing petitioner's complaint.³² (Emphases and underscoring supplied)

Records show that petitioners' complaint constitutes a civil suit for declaration of nullity of contract and sums of money with damages, which stemmed from respondent's alleged sale of unregistered securities, in

³⁰ Id. at 26.

³¹ *Rollo*, Vol. II, pp. 445-504. Comment dated October 9, 2008.

³² *Baviera v. Paglinawan*, supra note 26, at 182-183.

violation of the various provisions of the SRC and not a criminal case such as that involved in *Baviera*.

In this light, when the Court ruled in *Baviera* that “all complaints for any violation of the [SRC] x x x should be filed with the SEC,”³³ it should be construed as to apply only to criminal and not to civil suits such as petitioners’ complaint.

Moreover, it is a fundamental rule in procedural law that jurisdiction is conferred by law;³⁴ it cannot be inferred but must be explicitly stated therein. Thus, when Congress confers exclusive jurisdiction to a judicial or quasi-judicial entity over certain matters by law, this, absent any other indication to the contrary, evinces its intent to exclude other bodies from exercising the same.

It is apparent that the SRC provisions governing criminal suits are separate and distinct from those which pertain to civil suits. On the one hand, Section 53 of the SRC governs criminal suits involving violations of the said law, *viz.*:

SEC. 53. *Investigations, Injunctions and Prosecution of Offenses.* –

53.1. The Commission may, in its discretion, make such investigations as it deems necessary to determine whether any person has violated or is about to violate any provision of this Code, any rule, regulation or order thereunder, or any rule of an Exchange, registered securities association, clearing agency, other self-regulatory organization, and may require or permit any person to file with it a statement in writing, under oath or otherwise, as the Commission shall determine, as to all facts and circumstances concerning the matter to be investigated. The Commission may publish information concerning any such violations, and to investigate any fact, condition, practice or matter which it may deem necessary or proper to aid in the enforcement of the provisions of this Code, in the prescribing of rules and regulations thereunder, or in securing information to serve as a basis for recommending further legislation concerning the matters to which this Code relates: *Provided, however,* That any person requested or subpoenaed to produce documents or testify in any investigation shall simultaneously be notified in writing of the purpose of such investigation: *Provided, further,* That all criminal complaints for violations of this Code, and the implementing rules and regulations enforced or administered by the Commission shall be referred to the Department of Justice for preliminary investigation and prosecution before the proper court: *Provided, furthermore,* That in instances where the law allows independent civil or criminal proceedings of violations arising from the same act, the Commission shall take appropriate action to implement the same: *Provided, finally,* That the investigation, prosecution, and trial of such cases shall be given priority.

³³ Id. at 182.

³⁴ *Magno v. People*, G.R. No. 171542, April 6, 2011, 647 SCRA 362, 371, citing *Machado v. Gatdula*, G.R. No. 156287, February 16, 2010, 612 SCRA 546, 559.

On the other hand, Sections 56, 57, 58, 59, 60, 61, 62, and 63 of the SRC pertain to civil suits involving violations of the same law. Among these, the applicable provisions to this case are Sections 57.1 and 63.1 of the SRC which provide:

SEC. 57. *Civil Liabilities Arising in Connection With Prospectus, Communications and Reports.* – 57.1. **Any person who:**

(a) **Offers to sell or sells a security in violation of Chapter III;**
or

(b) Offers to sell or sells a security, whether or not exempted by the provisions of this Code, by the use of any means or instruments of transportation or communication, by means of a prospectus or other written or oral communication, which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading (the purchaser not knowing of such untruth or omission), and who shall fail in the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of such untruth or omission, **shall be liable to the person purchasing such security from him, who may sue to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if he no longer owns the security.**

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SEC. 63. *Amount of Damages to be Awarded.* – 63.1. **All suits to recover damages** pursuant to Sections 56, **57**, 58, 59, 60 and 61 **shall be brought before the Regional Trial Court which shall have exclusive jurisdiction to hear and decide such suits.** The Court is hereby authorized to award damages in an amount not exceeding triple the amount of the transaction plus actual damages.

x x x x (Emphases and underscoring supplied)

Based on the foregoing, it is clear that cases falling under Section 57 of the SRC, which pertain to civil liabilities arising from violations of the requirements for offers to sell or the sale of securities, as well as other civil suits under Sections 56, 58, 59, 60, and 61 of the SRC **shall be exclusively brought before the regional trial courts.** It is a well-settled rule in statutory construction that the term “shall” is a word of command, and one which has always or which must be given a compulsory meaning, and it is generally imperative or mandatory.³⁵ Likewise, it is equally revelatory that no SRC provision of similar import is found in its sections governing criminal suits; quite the contrary, the SRC states that criminal cases arising from violations of its provisions should be first referred to the SEC.

Therefore, based on these considerations, it stands to reason that civil suits falling under the SRC are under the exclusive original jurisdiction of


³⁵ *Enriquez v. Enriquez*, G.R. No. 139303, August 25, 2005, 468 SCRA 77, 84, citing *Lacson v. San Jose-Lacson*, G.R. Nos. L-23482, L-23767, and L-24259, August 30, 1968, 24 SCRA 837, 848.

the regional trial courts and hence, need not be first filed before the SEC, unlike criminal cases wherein the latter body exercises primary jurisdiction.


All told, petitioners' filing of a civil suit against respondent for purported violations of the SRC was properly filed directly before the RTC.

WHEREFORE, the petition is **GRANTED**. Accordingly, the Court of Appeals' Decision dated May 21, 2007 and Resolution dated October 16, 2007 in CA-G.R. SP No. 79297 are hereby **REVERSED** and **SET ASIDE**. Let Civil Case No. 19-1159 be **REINSTATED** and **REMANDED** to the Regional Trial Court of Cauayan City, Isabela, Branch 19 for further proceedings.

SO ORDERED.


ESTELA M. PERLAS-BERNABE
Associate Justice

WE CONCUR:


ANTONIO T. CARPIO
Associate Justice
Chairperson



ARTURO D. BRION
Associate Justice


MARIANO C. DEL CASTILLO
Associate Justice


JOSE PORTUGAL PEREZ
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


ANTONIO T. CARPIO
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice