



# SEC News Service

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APRIL 30, 2014

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## Rules on foreign ownership of local property hit anew

By Roderick L. Abad

**R**EGULATIONS on foreign ownership of land or property in the Philippines are hindering the growth of foreign direct investments (FDI) in the local commercial real-estate market, a top executive of a property-consulting firm has lamented.

Jones Lang LaSalle Asia Pacific Chief Executive Officer

Alastair Hughes told the BUSINESSMIRROR at the sidelines of the company's media briefing in Makati City on Tuesday that laws limiting the rights of foreign nationals to acquire land or property in the country are driving away potential investors or are making them hesitant to come in. "One of the reasons the Philippines hasn't been getting a big part in that respect is the restriction to foreign owner-

ship," he said. The Philippines real-estate law does not allow outright ownership of real property by foreign nationals.

But according to Republic Act 4726, or the Condominium Act, foreigners can buy units in condominium projects in the country (shares in condo corporations) as long as they do not add up to more than 40 percent of the units in a project.

SEE "RULES," A8

## Council begins search for best local conglomerates and SMEs

**T**HE Association of Southeast Asian Nations (Asean) Business Advisory Council launched the first local Asean Business Awards on Tuesday, in partnership with the Management Association of the Philippines (MAP), to recognize conglomerates and small and medium enterprises (SMEs) alike that have contributed to Philippines economic growth and have raised awareness of the country in Asean.

The Asean Business Advisory Council of the Philippines, represented by its members Teresita Sy-Coson, vice chairman of SM Investments Corp.; Manuel V. Pangilinan, chairman of Metro Pacific Investments Corp., and Jay Yuvallos, president of the Interior Basic Export Corp., signed a memorandum of understanding with the Asian Institute of Management, the Financial Executive of the Philippines, MAP, the Philippine Chamber of Commerce and Industry (PCCI), and the Philippine Exporters Confederation for the launching of the awards program.

Representatives from the lead conveners of the awards, namely the Trade and Labor departments were also present at the launching.

According to Sy-Coson, there are three categories for large businesses and three for SMEs.

For large businesses the categories are: corporate excellence, innovation and Asean strategy. For SMEs, the categories are: innovation, young entrepreneurs and woman leader.

"Through the awards, we hope to encourage and inspire both large corporations and SMEs to adopt a global perspective. With the proper tools and support, this mind-set will unlock their potential to compete in the region," Yuvallos said in a statement.

The signing ceremony formally launches the Asean Business Awards Philippines's application period. The stated deadline for submission of nominations is on June 15.

## PSEi snaps slide on rise of US, Europe prices

By VG CABUAG

**S**HARE prices snapped their four-day slide on Tuesday, as the local stock market followed the slight increase in US and Europe share prices.

The benchmark Philippine Stock Exchange (PSE) index gained 32.10, as all other subindices rose.

"Somewhat growing tired and weary of poring over recent risk factors and discounting these into share prices, markets turned focus on corporates, particularly on mergers and acquisition activity. This provided a decent lift to share prices in the US and Europe overnight. In turn, this gave local investors, as well as in the broader Asian region, reason to snap out of an extended decline," Justino Calaycay Jr., trader at Accord Capital Equities Corp., said.

The performance of other Asian markets were mixed. China's Shanghai gained 0.84 percent; Hong Kong's Hang Seng index rose 1.45 percent; South Korea's Kospi shed 0.23 percent; and Singapore's Straits Times Index was flat.

At the PSE, all other subindices gained. The All Shares index gained 19.84 to 4,010.04; the Financials index was up 1.27 to 1,569.13; the Industrial index increased 75.21 to 9,993.80; and the Holding Firms index rose 22.47 to 6,077.79.

Total volume of shares reached 710.33 million shares worth P6.46 billion, with block sales involving sugar firm Victorias Milling Corp. and Alliance Global Group Inc.

Foreign investors were net buyers at P339.59 million. Gainers led losers 104 to 63, and 50 shares were unchanged. Ayala Corp. was the day's most traded and gained P4.50 to P618.50; Alliance Global rose P0.05 to P30.65; Universal Robina Corp. was down P0.40 to P145; Metropolitan Bank & Trust Co. increased P0.05 to P82.55; and Manila Electric Co. expanded P8.40 to P273.40.

# DHL sees PHL as growth area; \$25-M investment to proceed

By RODERICK L. ABAD

**L**OGISTICS firm DHL sees the Philippines as a growth area, especially when the economies of the 10-member nations of the Association of Southeast Asian Nations (Asean) integrate by next year.

DHL Express (Philippines) Corp. Country Manager Nurhayati Abdullah told the **BUSINESSMIRROR** on Tuesday that the company has been focusing on the region over the years on the back of economic growth in its covered countries, especially the Philippines.

In the Philippines she said DHL's plan to invest \$25 million in the country will continue as announced.

She noted that the capital investment will be focused in the express segment, which will take a \$5-billion share of the allocated amount.

"So far, we are looking at expanding by end of the year or the first quarter of next year [with the]



opening of two new facilities in Clark and either Las Piñas or Bacoor [in Cavite]," she bared.

The country manager also disclosed plans to expand retail outlets in Quezón City and Pampanga.

"We do see a lot of growth in DHL for the Southeast Asian countries," she said, while citing the region's significant contribution to operations in Asia Pacific.

Apart from the Philippines, DHL has been operating in Singapore, Malaysia, Thailand, Indonesia,

Myanmar, Cambodia and Vietnam.

Abdullah noted that while Singapore and Malaysia are "quite matured" markets for DHL and Thailand still grapples from political uncertainty, she still sees a lot of potential for growth in the region, especially in the Philippines.

"We have been doing really well [in the Philippines]. I think we are growing faster than the [gross domestic product]. We've been growing double-digit both for our revenue and also our volume," she said.

The DHL executive, likewise, identified Myanmar and Vietnam as countries where the company's business could further expand.

Abdullah revealed that DHL's operations in Southeast Asia will remain the same, as it is not focusing on "reinventing" the wheel.

"It's just doing the same thing, but trying to leverage on what other new free-trade agreements to see how we can help promote [our services] to our customers," she said.

## Host PH Lists APEC 2015 Initiatives

The Philippines will prioritize four areas of discussion – regional economic agenda with the end of drafting the Free Trade Area of the Asia Pacific (FTAAP); SME; human resources; and, building sustainable communities – by world leaders when it hosts the 2015 Asia Pacific Economic Cooperation (APEC) next year, documents showed.

Documents showed that the Department of Trade and Industry has met with the Department of Foreign Affairs recently to come up with the updated list of APEC 2015 Priorities and Sub-Priorities.

“Enhancing the Regional Economic Agenda” topped the list of the Philippine Priority Initiatives, which also identified four action plans to support this APEC priority.

Under this priority, the APEC 2015 is expected to advance the planned Free Trade Area of the Asia Pacific (FTAAP) by instructing the APEC senior officials

to draft the FTAAP roadmap.

While APEC will push for the FTAAP, the APEC Leaders Summit is expected to also come up with a statement in support of the World Trade Organization (WTO) and the 10th WTO Ministerial Conference.

This priority also calls for the establishment of Asian Region Funds Passport to strengthen financial markets. Other sub-priorities include promoting people to people and labor connectivity through services, and adjusting regulatory coherence by strengthening capacity-building initiatives for regulatory institutions and institutional connectivity.

On the second priority “Fostering SMEs Participation in Regional and Global Markets”, this calls for the creation of open and transparent business environments for SMEs through Customs Business initiatives, and modernization and standards conformance.

This priority also proposes for the

promotion of inclusive growth through sustainable and resilient SMEs with support for micro-insurance, credit surety fund, and social entrepreneurship.

On the third priority “Supporting and Investing In Human Resources”, the Philippines would like APEC 2015 to promote knowledge-based economy through enhanced cross border education; promotion of science and technology education; and skills development for the 21st century as key to developing the competitiveness of industries and to achieve inclusive growth.

This Philippine initiative also calls for the strengthening and protection of human capital in APEC.

On “Building Sustainable and Resilient Communities”, the Philippines has called for the promotion of disaster risk reduction and management, and enhancing food security and the “blue economy” as well as addressing climate change. (BCM)

Wednesday, April 30, 2014

# Anti-Trust Bill Filed In Congress; Curbs Monopolies, Unfair Trade

**D**eputy House Speaker Sergio A.F. Apostol has filed House Bill No. 4320 otherwise known as the Philippine Fair Competition Act of 2014 or Anti-Trust Law, heavily penalizing monopoly, anti-competitive mergers and other unfair trade practices.

"This bill is in response to Section 19, Article XII of the 1987 Constitution that provides: 'The State shall regulate or prohibit monopolies when the public interest so requires,'" Apostol said, adding that any violation of Section 22 of the same article shall be considered inimical to the national interest and subject to criminal and civil sanctions.

Apostol informed Speaker Feliciano Belmonte Jr. that the draft law imposes heavy penalties on violators. "If the violator is a foreigner, he shall, in addition to the other penalties imposed by it, be deported after serving a jail term without need of any further proceedings," he emphasized.

"No doubt Speaker Belmonte will fully support the measure when they ask the President to certify it as urgent," Apostol said.

Without prejudice to the violation of other laws, any person criminally violating the provisions of the proposed act shall be punished for each and every violation a fine of not less than ₱10 million and not exceeding ₱50 million and between ₱250 million and ₱750 million for a firm and by an imprisonment not exceeding 10 years for the key officers or officials of the firm, or both.

According to Apostol, "the increased deviousness and complexity of schemes in perpetuating monopolies in the country by multinational competitors necessitates an equally sophisticated



**APOSTOL**

legislation that would effectively address this concern."

"Protection against price manipulation is an effective way by which the government can provide our people better access to various goods and commodities in the market. By providing an equal playing field in the business sector, consumers will have an improved access to affordable and at the same time quality goods," Apostol said.

The deputy speaker from the 2nd District of Leyte said the act also establishes the Philippine Fair Competition Commission, a powerful independent body, tasked to investigate and prosecute erring corporations, businessmen and other people engaged in unfair trade practices.

Specifically, the bill is designed to:

(a) Promote and enhance efficiency and free, full and fair competition in trade, industry and all commercial economic activities;

(b) Prevent the concentration of

economic power in a few persons who threatened to control the production, trade, or stifle competition, distort, manipulate or constrict the discipline of free markets, increase market prices; and

(c) Penalize all forms of anti-competitive agreements, abuse of dominant positions, and anti-competitive mergers, with the objective of protecting consumer welfare and advancing domestic and international trade and economic development.

The comprehensive bill, in 26 pages, says merger shall be when two or more undertakings, previously independent of one another or each other, join together. This definition includes transaction whereby two firms legally merge into one, one firm takes sole control of the whole or in part of another (acquisitions or takeovers), two or more firms acquire joint control over another firm (joint ventures) and other transaction, whereby one or more undertakings acquire control over one or more undertakings, such as interlocking directorates.

Monopoly shall mean a privilege or undue advantage of one or more firms, consisting in the exclusive right to carry on a particular business or trade, and/or manufacture a particular product, article or object of trade, commerce or industry. It is a form of market structure in which or only a few firms dominate the total sales of a product or service.

The Apostol bill is identical with the powerful US Federal Trade Commission Act established in 1914 and revised many times that stifled monopoly, anti-trust and other unfair competitions in the US and sent many businessmen, tax evaders and crook economists to jail.

# Malaysian firm buys 8% of 8990 Holdings

By NEIL JEROME C. MORALES

Malaysia's strategic investment fund has acquired a minority stake in locally-listed mass housing developer 8990 Holdings Inc. for almost P3 billion.

The deal allowed Khazanah Nasional Berhad to become a cornerstone investor ahead of the planned P15-billion public share sale of 8990 Holdings. Turn to B-4

## Malaysian firm... From B-1

In its website, Khazanah said its special purpose vehicle Pasir Salak Investments Ltd. entered into a cornerstone investment agreement deal for the upcoming share offering of 8990 Holdings.

"Khazanah will invest P2.925 billion to acquire a stake of approximately eight percent in 8990 Holdings," the state-owned company said.

The transaction, which marked the Malaysian firm's first foray into the Philippines, "will allow Khazanah to gain exposure to the country's unique growth story," it added.

8990 Holdings is one of the top developers of mass market housing, having sold more than 26,000 units from completed and ongoing projects. It operates through the Deca Homes brand for horizontal projects and Urban Homes brand for vertical projects.

Given its established track record, 8990 Holdings is positioned to address the shortage of affordable housing in the Philippines through fast turnaround construction methods, affordable financing programs

Turn to B-6

## Malaysian firm... From B-4

and comprehensive subdivision management, Khazanah said.

Since starting its mass housing business in 2003, 8990 Holdings has completed 11 projects in Luzon (Angeles, and Cavite Cities), Visayas (Cebu Province and Iloilo), and Mindanao (Tagum and Davao Cities). So far, 8990 Holdings is developing 15 projects in Cebu, Davao, Iloilo, Clark, Pampanga and other major hubs in the Philippines.

"It also provides a potential avenue to foster know-how sharing that could benefit affordable housing development in Malaysia and more broadly in the region," it added.

To date, Khazanah is involved in various sectors such as power, telecommunications, banking, healthcare, airport management, infrastructure, leisure and tourism, property development, broadcasting, investment holding, and technology.

Khazanah's investment port-

folio includes Telekom Malaysia Bhd., Tenaga Nasional Bhd., CIMB Group, Axiata Group Bhd., IHH Healthcare Bhd., Malaysia Airports Holdings Bhd., and UEM Sunrise Bhd.

For its part, 8990 Holdings plans to sell as much as 1.24 billion shares at a maximum offer price of P12.70 apiece, for a total transaction value of P15.74 billion.

The listed property firm hired UBS AG (Hongkong branch) as the sole global coordinator, sole international bookrunner and lead manager, while UBS Investments Philippines Inc. and SB Capital are the domestic lead underwriters.

In January to September, earnings of 8990 Holdings hit P2.1 billion, up 64 percent from P1.28 billion a year ago. For the third quarter alone, the property developer's income almost doubled to P589 million from P300.4 million a year ago, while sales rose 27.6 percent to P1.23 billion from P964.35 million.

## Security Bank's income rises 17%

By Julito G. Rada

SECURITY Bank Corp., one of the country's top lenders, said Tuesday net income grew 17 percent year-on-year to P1.43 billion in the first quarter, driven by higher loans and deposits.

"It was a good first quarter. Our corporate banking had good loan growth as well as deposit growth. Our commercial banking also produced significant growth which was carried over from the last quarter last year," Security Bank president and chief executive Alberto Villarosa told reporters at the sidelines of the bank's annual stockholders' meeting in Makati City Tuesday.

Security Bank's total resources grew 46 percent to P377 billion as of end-March as deposits jumped 49 percent to P211 billion.

Outstanding loans increased by 39 percent year-on-year to P166 billion as of end-March. Capital improved 11 percent to P42 billion during the same period.

"The loan mix is between corporate and commercial, or around 60-percent corporate and 40-percent commercial," Villarosa said.

Villarosa said the bank was targeting a 15-percent to 20-percent loan growth this year. He said the bank was on track with a five-year plan, starting 2014, for consumer loans to be about 30 percent of the bank's total loan portfolio.

He said the bank would focus on four priorities this year, including enhancing deposit base, increasing the efficiency of branches, improving marketing on the mortgage side and better banking.

# Stocks rebound; Nextstage jumps

STOCKS rose Tuesday, ending a four-day slump, following overnight gains on Wall Street and after the International Monetary Fund said the Philippines will likely post the fastest growth among major Southeast Asian economies over the next two years.

The Philippine Stock Exchange index, the 30-company benchmark, rose 32 points, or 0.5 percent, to close at 6,636.45 Tuesday. The index was up 12.7 percent since the start of the year.

The heavier index, representing all shares, also advanced 19 points, or 0.5 percent, to settle at 4,010.04, as gainers outnumbered losers, 104 to 63, with 50 issues unchanged. Value turnover

amounted to P6.5 billion.

The IMF said in a report Monday the Philippines was expected to grow 6.5 percent in 2014 and 2015, the fastest rate among Southeast Asian economies.

Investors, however, remained edgy Tuesday, as they awaited key economic news from around the world later in the week. "Investors are generally cautious, waiting for new signs from the

Fed on how to interpret the US economy," said Jonathan Ravelas, the chief market strategist at BDO Unibank Inc.

"The tension in Ukraine remains a concern that's hindering investors from fully committing their funds," said Ravelas.

Nextstage Inc. emerged as the biggest gainer among the 20 most active stocks, as it jumped 22.4 percent to P3.61. Nextstage earlier announced it would adopt the new name, Jackstones Inc. and stock symbol JSI on May 5.

Travellers International Hotel Group Inc. climbed 3.9 percent to P9.85, after announcing it secured an approval to expand its gaming area at Resorts World Manila in Pasay City.

Bloomberry Resorts Corp. advanced 2.9 percent to P12.14. The casino operator said net income in the first quarter hit P1.46 billion, a reversal of the P1-billion net loss a year ago.

Power distributor Manila Electric Co., which reported a net income of P4 billion in the first quarter, rose 3.2 percent to P273.40.

Meanwhile, Asian stocks were mixed Tuesday. Seoul slid 0.2 percent, or 4.49 points, to 1,964.77 while Sydney lost 0.9 percent, or 49.5 points, to finish at 5,486.6. Tokyo was closed for a public holiday.

In afternoon trade, Hong Kong was up 0.3 percent and Shanghai added 0.5 percent.

US shares mostly bounced back on Monday after tumbling at the end of last week, with attention now on a Federal Reserve announcement Wednesday on plans for its stimulus program.

With Bloomberg, AFP

B-2

The Philippine STAR **BUSINESS**

# Index snaps 4-day skid on Wall St rally

Local stocks snapped a four-day skid due to Wall St.'s upbeat performance.

The Philippine Stock Exchange rebounded 0.49 percent or 32.10 points to 6,636.45, while the broader all shares index rose 0.50 percent or 19.84 points to 4,010.04.

"We snapped a four-day decline on the strong gains from Wall Street overnight," said Abbygayle M. Estrella, an analyst at AB Capital Securities Inc.

On Monday, US stocks were buoyed by the merger and acquisition (M&A) news, specifically that of American drugmaker Pfizer's bid to take

By NEIL JEROME C. MORALES

over AstraZeneca Plc.

The Dow Jones industrial average improved 0.53 percent or 87.28 points to end at 16,448.74, while the broader Standard & Poor's 500 index rose 0.32 percent or 6.03 points to 1,869.43.

"Somewhat growing tired and weary of poring over recent risk factors and discounting these into share prices, markets turned focus on corporates particularly on M&A activity," said Justino Calaycay Jr., analyst at Accord Capital

Equities Corp.

"In turn, this gave local investors, as well as in the broader Asian region reason to snap out of an extended decline," Calaycay added.

Locally, all counters were in the green, led by property firms that recovered 0.77 percent or 19.85 points to close at 2,580.76 while industrial firms added 0.76 percent or 75.21 points to end at 9,993.80.

Advancers dominated decliners, 104 to 63, while 50 stocks did not change. However, turnover value eased to P6.47 billion from P7.47 billion on Monday.

## Credit Suisse tops M&A chart,

### starts 2014 on strong note

Credit Suisse emerged #1 in mergers and acquisitions (M&A) by fees earned among all investment banks in the Philippines in 2013, the fourth time it has topped the list out of the past five years. In 2013, it was also ranked #2 in the Philippines across all Investment Banking products by fees earned, including M&A, equity and debt capital market and leveraged finance, according to data compiled by Dealogic.

Chiqui Huang, Credit Suisse's Co-Head of the Investment Banking Department for the Philippines said, "We had a very busy year in capital market transactions across ECM, DCM and M&A. We provided intensive coverage of the growth initiatives and the debt, equity and other financing needs of our major corporate clients, many of which are the leading corporations in the Philippines."

Credit Suisse was the exclusive financial advisor for San Miguel's US\$1.7 billion sale of 27% stake in Meralco to JG Summit Holdings, the second largest Philippines M&A deal last year. The bank has also advised on many of the largest and most complex M&A transactions in the Philippines, particularly in the energy, and telecommunications sectors. These include Mirant Asia Pacific's sale to TEPCO and Marubeni in 2006, General Electric's sale of its stake in Quezon Power in 2009 and San Miguel's investment into Top Frontier Investment Holdings in 2010.

In equity transactions, last year Credit Suisse was the joint bookrunner for Asia United Bank's US\$200 million IPO and for Rizal Commercial Banking Corporation's US\$150 million top-up placement and concurrent secondary placement. It was also the sole bookrunner for Universal Robina's US\$280 million block trade, co-lead manager for LT Group's US\$913 million top-up placement and was international co-bookrunner for Travellers International Hotel Group's US\$411 million IPO. Among major debt transactions, Credit Suisse was the joint lead and bookrunner for JG Summit's US\$750 million Senior Notes, joint lead manager and bookrunner for International Container Terminal Services' issuance of US\$207 million 12-year senior notes and joint dealer and solicitation manager for the company's exchange and solicitation offer covering its US\$450 million senior unsecured notes due 2020.

"We had a very good start this year having already completed two major ECM and DCM deals in the first two months. We were the sole arranger for Philippine Airlines' US\$200 million Future Flow Airline Tickets Securitization, an innovative structure secured by credit card receivables. We were also the joint lead and bookrunner for The Philippine National Bank's PHP 11.6 billion rights issue, our first ever rights issue in the Philippines," said Huang.

#### GROWING INVESTMENT BANKING FOOTPRINT IN THE PHILIPPINES

In the Philippines, Credit Suisse has been

a leading financial advisor to the government and major corporates since 1992, providing financing and advisory services spanning capital raising, liability management, M&A transactions as well as structured finance. It converted its representative office operations to a full branch in 2004 to better handle the increasing volume of high profile advisory engagements and international bond deals.

Following the various USD global bond offerings the bank had issued for the Philippines government, in 2010, Credit Suisse acted as a joint bookrunner for the government's groundbreaking debut PHP 44.109 billion Global Peso Notes offering -- the first of its kind by an Asian borrower, allowing global investors to gain exposure not only to the Philippines but also to its currency.

Led by the bank's Co-Heads of the Investment Banking Department for the Philippines Chiqui Huang and Johnny Escaler, the Manila-based team of client coverage bankers are supported by specialized product and industry teams in Hong Kong and Singapore, Sydney, London and New York.

Lito Camacho, the bank's Vice Chairman Asia Pacific and former Secretary of Finance for the Philippines, together with the Country CEO Carl Bautista have intimate knowledge of the market and provide additional senior support for the local team.

"Credit Suisse has invested in expanding in the Philippines and is highly committed to the country. The Philippines has become an increasingly attractive market as global investors appreciate the country's potential and economic resilience," Camacho said.

#### ONSHORE BROKERAGE COMPLEMENTS GROWING ECM BUSINESS

In 2011, the bank further expanded its footprint by establishing an onshore brokerage

in Manila covering equity research, sales, sales trading and execution, to complement its investment banking business and provide an expanded range of products and services to its clients.

Escaler confirmed, "Credit Suisse was the only foreign bank to have set up an onshore brokerage business in the Philippines in the past decade, this speaks volumes of our commitment and confidence in the market. Our onshore set up is critical as corporate clients expect the bank to be able to provide research coverage on their stock and be able to give them meaningful investor feedback that can only be obtained from the day-to-day equity sales and trading."

In just three years into its operations, Credit Suisse's domestic brokerage in the Philippines has already reached top five among all foreign brokers by market share.

Camacho pointed out that with the robust economic growth and having received investment-grade status from the three credit-rating firms last year, there is definitely heightened interest from foreign institutional investors to take part in the country's equity capital markets. "Another positive development is the increasing participation of domestic financial institutions, asset managers, public and private pension funds which creates a base and further future stability for the capital market," he added.

Escaler also noted, "While the market capitalization of the Philippines stock market is still relatively small, as foreign investors start seeing a stronger domestic bid, it will become increasingly attractive to invest in. We believe this trend will continue and it makes a strong case for having an on-the-ground investment banking and equities sales and trading platform."

Along with the additional domestic brokerage, Credit Suisse has been able to

leverage its regional and global expertise to develop into a leading ECM house in the Philippines, and has been involved in major ECM transactions for some of the largest conglomerates.

#### CONTINUED DEMAND FOR EQUITY AND DEBT FUNDING IN 2014

Escaler said that the bank's corporate clients have a very healthy appetite for financing to support their domestic and cross border growth, while ongoing infrastructure development and the rebuilding and rehabilitation efforts being undertaken in the aftermath of Typhoon Yolanda will also continue to spur infrastructure spending and demand for equity and debt funding.

This year, Credit Suisse is continuing to build its ECM pipeline and increase market share. Huang said, "We are maintaining a close dialogue with our corporate clients for opportunities in initial and follow on offerings. We expect consumer and retail sectors will remain active in capital raising to fund growth as the favorable longer term economic outlook continues to boost consumption."

The other sector to watch is the financial industry. With the Bangko Sentral ng Pilipinas (BSP) adopting the Basel 3 capital adequacy standards in full starting January 1 this year, local banks are required to expand their capital base to ensure Basel 3 compliance and meet the regulatory deadline. Escaler noted that various financial institutions have deployed different means to meet Basel 3 rules through debt and equity markets. "There will definitely be more financial sector activity in the capital market space this year." □

In the debt market, Credit Suisse expects local corporates will still primarily focus on domestic borrowing, given the favorable conditions with the continued depth and liquidity of the peso and their preference to reduce foreign exchange exposure. As equity markets recover, convertible bonds issuance will also be back on the table. Huang commented that with the interest rate environment remaining favorable, companies with high gearing will require more liability management as they look to extend duration of their bonds.

She pointed out there is also demand from corporate clients for other structured lending to further fund business growth, through pre-IPO financing to reduce debt levels and refinance debt, or structuring transactions around their strategic corporate assets via share-backed lending or securitization.

On the M&A front, Credit Suisse expects domestic transactions to continue especially in the infrastructure and power sectors, as well as in the financial sector as the BSP continues to drive banking sector consolidation.

"We also see sustained private equity interest in investing in the Philippines especially for new infrastructure projects," she added.

WEDNESDAY, APRIL 30, 2014

# Sans extraordinary gains, BPI profit drops 57% to P3.6B

Ayala-led Bank of the Philippine Islands (BPI) registered a net income of P3.603 billion in first three months of 2014, down 57 percent from a year ago wherein the bank recorded extra-ordinary gains in trading securities of P5.719 billion.

BPI president & CEO Cesar Consing said the income results were expected. "Trading results were not surprising given the interest rate environment and the cutbacks in risk appetite and stronger

focus on client business," Consing said.

"We are very excited about our business pipeline for the rest of the year. We will focus less on proprietary trading, while reinforcing our interest and non-trading franchises — as well as the infrastructure that supports them," he added.

The first quarter's earnings translated to a return-on-equity (ROE) and return-on-assets (ROA) of 12.4 percent and 1.2 percent, respectively.

Net interest income for the

quarter stood at P8.146 billion, growing 15 percent year-on-year.

Non-interest income, excluding securities trading, was P4.27 billion, growing 16 percent year-on-year.

In light of the volatile interest rate environment, BPI reduced its VAR-sensitive trading portfolio significantly in the first quarter of the year.

Net loans and total assets stood at P641.7 billion and P1.21 trillion, respectively, up 25 percent and 29 percent.

Total deposits in the first quarter of the year reached

By **DONNABELLE L. GATDULA**



Consing

P993 billion, a 32-percent increase against the prior year.

Lending to corporate clients increased by 30 percent; and to retail clients, 10 percent.

Net interest margins stabilized, achieving 3.02 percent for the three-month period

relative to 3.04 percent in the same period in 2013.

Deposit costs dropped over the same period, from 1.2 percent to 0.9 percent.

Operating expenses reached P6.7 billion, a two-percent increase year-on-year.

# Gearing up for ASEAN Economic Integration

## CMAP hosts the 33rd National Credit Congress and 1st ASEAN Credit Congress

By JEREMY TINTIANGKO

The history of the Credit Management Association of the Philippines, Inc. or CMAP can be traced all the way back to 1932 when a group of credit professionals saw the need for an organization that would promote fellowship and camaraderie among credit men.

In light of the challenges being faced by the credit and collection management, unification was necessary and thus the Association of Credit Men was formed. A non-stock and non-profit organization, the association took on the role to be a platform for the exchange of information among the community. It was not until 1967 that it changed its name to CMAP.

Today, CMAP is not merely confined with banks and financial institutions but includes services, trading, manufacturing, telecommunications and insurance. It has more than 350 members, with regional affiliations with other credit organizations in Visayas and Mindanao. Over eight decades following its inception, the association remains to be as active and committed as ever in elevating the credit industry.

Among its efforts to be a primary advocate of credit

consciousness among its practitioners, CMAP will be hosting the 2014 National Credit Congress, which will coincide with the first-ever ASEAN Credit Congress on April 30 at the Manila Hotel.

A yearly event initiated by CMAP in support of the Bangko Sentral ng Pilipinas' celebration of Credit Consciousness Week, the National Credit Congress is a testament of the associations' role in fostering active and voluntary interchange of quality credit information.

"It is where the condition, problems, achievements and progress of credit education, awareness, consciousness and discipline of the country and its people are discussed for solutions, assistance and contributions from the public and stakeholder to make it an instrument for socio-economic progress of the country," enthuses CMAP president, Benny Pasaporte of Bank of the Philippine Islands.

A requirement and an instrument to determine the socio-economic condition of either a company or the entire nation, credit management plays a crucial role in economic development.

As such, CMAP believes that it is "through instilling credit

consciousness and facilitating active and voluntary interchange of quality credit information; maintaining closer cooperation, fellowship, and camaraderie among credit men; as well as better connection and collaboration among associations and credit men, that the industry can produce a better and updated credit information. More updated information, in turn, will sum up to good and quality credit reports," stresses Pasaporte.

With that, CMAP possesses its own credit information that only its members can access and are significantly being used in their credit evaluations. To make sure that credit consciousness is maintained, CMAP is active in conducting trainings and seminars that will enhance the member's knowledge in credit. Such is the case with the National Credit Congress, which is now running on its 33rd year.

In its pursuit for maximum development in light of the looming ASEAN economic integration, this year's credit congress sets itself apart from the ones that the association has been hosting for the past three decades.

Pasaporte shares, "This year, the Credit Congress Committee and the Board of Directors, have decided for CMAP to host the 1st ASEAN Credit Congress to promote consciousness on the ASEAN economic community. We have invited local and foreign speakers who are experts on the relevant topics, other local and foreign credit and associations, financial institutions, bureaus, rating agencies, consulates, and so much more.

This year, members can expect a line-up of engaging activities alongside a roster of exciting speakers who will expound on this year's theme of "Credit: The Enabler to ASEAN Economic Integration," which was said to be designed to further enhance the skills of credit practitioners in preparation for both challenges and opportunities to be brought about by the ASEAN integration.

Always at the forefront of fostering a strong and sturdy professional association, CMAP continues to improve the quality of its membership, which makes for an all-knowledgeable, competent, and highly-effective practitioners in the art of credit management. With this year's unique convergence of high-grade credit information, CMAP proves that it goes over and beyond its role in ensuring that the local credit industry's direction goes nowhere else but up.

But CMAP's road to unyielding growth and development is not

one without its fair share of struggles. In fact, Pasaporte cites connectivity and collaboration among credit bureaus and associations both locally and in ASEAN countries as one of its biggest challenges. Adding to that are certain laws and government regulations which make information processing and sharing challenging.

Hopeful and always proactive, Pasaporte expresses, "We are one step forward by hosting the first ASEAN Credit Congress as it enables us to connect and collaborate with other associations and bureaus for the improvement of credit practices within the region. As the oldest association of credit men, we will constantly initiate the unification of professional associations for effective lobbying for fair credit practices with relevant parties."

Apart from the annual National Congress, CMAP is focused on strengthening its presence as it makes the welfare and needs of the credit community its top priority. Proving its ability to go head-to-head with the fast-changing times, the association has come up with iCMAP, an online system where members can inquire 24/7 in the database.

"We have also been exploring the possibility to collaborate with data management providers to improve its existing system to be at par with other countries," adds Pasaporte.

To provide continuing credit education, CMAP regularly conducts credit and non-credit trainings as well as seminars where relevant speakers are invited to enlighten the members. Each year, the association also hosts three to four general membership meetings as well as social gatherings to perpetuate camaraderie and fellowship.

Unavailability of updated and quality information is a crucial threat to the economy, and at the end of the day, CMAP aspires to continue living up to the role of safeguarding the welfare of the credit industry.

"To be the main source of reliable and quality credit information to its members — both local and foreign business communities, to be the provider of continuous credit education that will uplift the credit profession and practices, to establish a credit academy and professionalize the credit profession, to create affiliations and collaborate with other professional associations so as to increase and have strong memberships that can lobby for fair credit practices," beams Pasaporte.

## Phl likely to miss 2015 AEC targets

By LOUELLA D. DESIDERIO

The Association of Southeast Asian Nations (ASEAN) is unlikely to meet its targets for the region's economic community by 2015 amid slow progress in addressing non-tariff barriers of member-states.

"It's highly unlikely that all their (ASEAN) targets will be met by 2015. Even the ASEAN score card shows that," Asian Development Bank's lead economist for trade and regional cooperation Jayant Menon said during the Management Association of the Philippines' general membership meeting yesterday.

He noted that while tariff targets are likely to be achieved by next year, there are non-tariff barriers that remain.

"In terms of score cards, it (what has been achieved) varies within two-thirds and three-quarters. The remaining bits are the hardest bits. These are the non-tariff barriers (such as) competition policy, intellectual property rights protection. These are moving very slowly," he said.

He noted that the non-tariff barriers vary from country-to-country.

"In new member-countries, there is still a lot of red tape and the fact a lot of these customs procedures are not automated, not electronic, there is a lot of room for corruption. I see that is a major problem," he said.

For the Philippines, among the biggest barriers impeding trade growth are the poor infrastructure and red tape.

"Infrastructure is still relatively weak so trade costs associated with infrastructure is still high. There is still a lot of red tape and licensing that can be simplified to reduce that," Menon said.

Turn to B-11

## Phl likely... From B-9

He noted that the Philippine government needs to invest on roads, railways and ports to lower trade costs.

He added that the government also has to start automation of processes to improve efficiency and prevent corruption.

The ASEAN Economic Community, to be established in December 2015, would transform Southeast Asia into a region with free flow of goods, services, skilled labor, investments and capital.

Since January 2010, the ASEAN-6 member states Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand have eliminated import duties on 99.65 percent of trade tariff lines.

The other four member states Cambodia, Lao People's Democratic Republic, Myanmar and Vietnam meanwhile, have 98.86 percent of their traded tariff lines reduced to zero to five percent.

Almost all duties have likewise been eliminated on agricultural and industrial products.

# Asean integration not happening in 2015

## ADB economist says 2025 is more realistic target

By Amy R. Remo

THE ASSOCIATION of Southeast Asian Nations (Asean) will not likely achieve all the targets it had set out to have a fully integrated regional economy given the difficulties in implementing the measures to institute and harmonize the so-called "nontariff barriers."

"It's highly unlikely that the Asean will meet all the targets by 2015. That's quite clear. Even the Asean scorecards show that. A more realistic deadline, keeping in mind the new member-countries, will be 2025," said Jayant Menon, lead economist from the Office of Regional Economic Integration at the Asian Development Bank (ADB).

Speaking at the Management Association of the Philippines (MAP) general membership meeting yesterday, Menon noted that the tariff targets would likely be met as the Asean has already achieved about three

quarters of the targets set out for the establishment of the Asean Economic Community (AEC) by the end of next year.

By virtue of the Asean Trade in Goods Agreement (Atiga), most of the import duties in Asean have fallen to zero since January 2010. More than 99 percent of goods traded in Malaysia, Thailand, Philippines, Singapore, Indonesia and Brunei are already at zero tariff, while Cambodia, Laos, Burma (Myanmar) and Vietnam have been offering 0-5 percent duties on 98.6 percent of goods sourced within the region. Only a few products are still protected by tariffs

within Asean, among them rice, sugar, swine and chicken.

The remaining targets, however, would be the hardest to complete as these pertain to the nontariff barriers, including the adequacy of infrastructure, intellectual property rights (IPR) protection, Customs automation and modernization, addressing red tape and other forms of corruption, streamlining business procedures and implementing a competition policy, Menon said.

The harmonization of such policies across the 10 member-states of Asean might prove to be difficult as in some cases, it would require a country to embark on constitutional changes, he further explained.

"In terms of nontariff barriers, it varies country by country. In the new member-countries, there is still a lot of red tape. A lot

# Multibillion-dollar deals elude PH

## Property sector hobbled by high taxes, foreign ownership laws

By Miguel R. Camus

THE PHILIPPINES has been losing out on multibillion-dollar property deals as global funds and ultra-wealthy individuals shunned the local real estate sector due to restrictive foreign ownership laws and high taxes, officials of consultancy and brokerage firm Jones Lang LaSalle said Tuesday.

The amount of non-residential sector investments for shopping malls and industrial complexes was estimated at about \$240 billion in Asia-Pacific over the last two years, said Alastair Hughes, Jones Lang CEO for Asia-Pacific.

Investors instead looked toward jurisdictions friendlier toward foreign investors like Japan, Singapore and China, according to briefing materials from Jones Lang.

Investing in the country becomes more difficult when the 40-percent cap on foreign ownership

comes into play, along with heavy taxes like those levied on joint ventures and strict local building code regulations, noted David Leechiu, Jones Lang's country head in the Philippines.

"It's just adding to the layers and layers of restrictions coming from so many agencies," Leechiu said.

But there are some positive aspects, he added, which includes the widening of the coverage of value added tax exemption on low cost homes worth up to P3 million instead of the previous P1.5 million.

"But there is still a whole lot more to work on," Leechiu said. He suggested that an increase in the foreign ownership cap on property to 50 percent would carry huge benefits for the real estate sector.

Leechiu also cited the potential for local real estate to continue growing, driven by strong economic fundamentals and demand for housing.

Hughes also mentioned the lack of any indication that a property bubble could be forming.

"I don't see any of those factors playing out in Asia-Pacific or anywhere else. It think this is a relatively stable market," Hughes noted.

On the residential side, Leechiu said that restrictive policies could discourage builders in the low-cost segment over the long-term as 60 percent of condominium projects are aimed at the "below P3 million" per unit market.

He nevertheless acknowledged that construction would not likely slow down anytime soon due to strong demand.

"For now, times are good and developers will find ways to work with the rules," Leechiu said.

## Belle Q1 profits down 60%

BELLE Corp., said profits for the first quarter of the year reached P309.9 million, 60.26 percent lower than the previous year's P777.8 million.

The company however said that on a recurring-net basis, the reported profit was 174 percent higher than last year.

"While this is lower than its consolidated net income of P777.8 million reported for the three months ended 31 March 2013, the 2013 income figure includes non-recurring income of P949.6 million received from the Philippine subsidiaries of Melco Crown Entertainment, Ltd., in March 2013, upon the commencement of MCE's lease on Belle's property lot to be used for the City of Dreams Manila integrated resort project," said Manuel Gana, Belle chief finance officer, reported.

Gana said that excluding such one-time income, Belle's consolidated profit for the first quarter "would have been approximately P113 million" and the profit for the first quarter this year "would have been higher by P196.9 million."

The company however has yet to issue its financial statement for the period.

Belle meanwhile said it is declaring a P0.02 per share cash dividend, which is the "first cash dividend in the history" of Belle.

Belle said record date for the dividend is May 13 and its payment date on June 2.

Belle officials earlier said the company is assured of at least P1 billion in revenues for the year out of the rental income it will receive from Melco Crown for the year.

This is on top of the 50 percent cut on earnings before income tax depreciation and amortization that Belle is entitled to have under its agreement with Melco Crown over the business activity City of Dreams gaming complex set to open by October.

This year, Belle is set to turn over to Melco Crown the phase two of the 300,000 square meter gaming facility, expected to further increase the rental income.

The City of Dreams Manila is set to open its doors by October, after the whole facility is completely developed by September, in which by then the facility that was initially called Belle Grande Manila Bay would have completed its planned complex of gaming facilities, 981 hotel rooms, retail stores and restaurants.

When it opens, City of Dreams Manila, will have 365 gaming tables, 1,680 slot machines and 1,680 electronic games.

City of Dreams Manila had a change in name after the entry of Macau gaming operator Melco Crown Entertainment.

The gaming complex costs \$1.3 billion to develop with \$630 million contributed by Melco Crown.

## Gov't allows foreign life insurance company to start operations

FWD, a foreign life insurance company, has been granted a license by the Insurance Commission to operate its life insurance business in the Philippines.

The FWD Life Insurance Corp. is the first foreign life insurance company in 10 years to have been issued a license by the IC.

"We are honored to be announcing FWD's entry into the Philippines as we continue to forge ahead with our regional expansion plans," Ronald Arculli, Chairman of FWD Group, said.

"The Philippines is an attractive market for insurance with a rising middle class and increasing disposable incomes. In this steadily growing economy with improved governance, insurance has low penetration, and we see vast opportunities to contribute to the country's growth, providing financial security to the people," he said.

Arculli said in a press briefing yesterday that the aspiration of the FWD management group is to be one of the top five life insurance companies in the Philippines in the next five years.

"My target is even more ambitious, since I expect that to happen in three years," Arculli said.

FWD released P1 billion as paid up capital to comply with the requirement for insurance companies in the Philippines.

It also shelled out an additional P300 million for the operational expenses of the company in the country.

FWD is targeting to launch its products in the Philippine market later this year.

"FWD is investing heavily in technology to support the delivery of our products and customer servicing, including continuing the roll out of the innovative paperless sales platform that FWD Indonesia pioneered earlier this year," FWD Group CEO Huynh Thanh Phong said.

Peter Grimes, Group Chief Partnership Distribution Officer of FWD, said that the company is rapidly expanding its local team, with 40 staff on board.

"By the end of the year, we plan to have approximately 100 staff on board," Grimes said.

FWD Group is the insurance business arm of the private investment group, Pacific Century Group.

FWD's business spans Hong Kong, Macau, and Thailand, offering life insurance services, as well as general insurance, employee benefits, and financial planning in Hong Kong.