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# Businessmen bullish in Q2

By Julito G. Rada

**BUSINESSMEN** turned more bullish in the second quarter, compared with the first quarter, on robust consumer demand and new construction projects, the Bangko Sentral said over the weekend.

The Bangko Sentral said results of the latest business expectations survey showed the overall confidence index climbed to 50.7 percent in the second quarter from 37.8 percent in the first quarter.

"This higher reading indicates that the number of optimists increased and continued to be greater than the pessimists during the quarter," the Bangko

Sentral said. The survey involved 1,529 companies, drawn from the list of top corporations of the Securities and Exchange Commission.

The survey, however, showed the confidence index in the second quarter was lower than 54.9 percent registered in the same period last year.

Among the factors cited by respondents for their upbeat outlook in the second quarter were robust consumer demand during the secondary harvest season, graduation and enrollment periods and summer season with the influx of both local and foreign tourists; new construction projects boosted by rehabilitation efforts from typhoon Yolanda and stepped-up infrastructure projects and increased orders and new contracts/projects leading to higher volume of production.

The respondents also cited the expansion of businesses, launch of new product lines and rise in investments with the rebound of the US economy

and other export markets.

"The country's strong macroeconomic fundamentals such as manageable inflation and steady growth of remittances as well as more favorable external conditions with the recovery of global markets support the positive business outlook," the Bangko Sentral said.

The Bangko Sentral said the sentiment of businesses in the Philippines mirrored the buoyant business outlook in the US, the United Kingdom, Canada, Germany, Hong Kong, Singapore and South Korea but was in contrast to the less bullish views of those in China, New Zealand and India.

It said outlook for the third quarter also remained positive. "For the third quarter, businesses anticipated continuing economic expansion as the next quarter confidence index sustained its high level of 48.9 percent, although lower than 50.8 percent in the previous survey," it said.

## PH ready for Asean economic integration in 2015 — Domingo

THE Philippines is well-prepared for the Association of Southeast Asian Nations economic integration next year, given its improved ranking in the global competitiveness and the investment-grade ratings received from three major credit rating agencies, Trade Secretary Gregory Domingo said.

Domingo said the Philippines had widely opened its doors to international trade since 2010 with the lifting of tariffs on 99 percent of commodities coming from other Asean members. Asean groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.

Domingo said the liberalization helped improve the competitiveness of local industries, enabling the country to adjust once Asean formally entered the process of becoming a regional economic bloc.

"In general, liberalization has worked very well in the Philippines. It definitely made many of our sectors very

competitive not only regionally, but also globally," Domingo said in one of the sessions of the World Economic Forum on East Asia in Manila.

The country last year secured investment-grade ratings from all three major debt watchers, including Fitch Ratings, Standard & Poor's and Moody's Investor Service.

Earlier this month, S&P further upgraded the country's credit rating to a notch above the minimum investment grade, or from BBB- to BBB.

The credit watchdogs cited the country's robust economic growth, good governance and favorable macroeconomic fundamentals.

Julito G. Rada

# PSE suspends two stockbrokers

By Jenniffer B. Austria

CAPITAL Market Integrity Corp., the watchdog unit of the Philippine Stock Exchange, has suspended two brokerage companies—I. Ackerman & Co. Inc. and Nieves Securities Inc.—for violating the rules of the exchange.

CMIC president Cornelio Gison said in a memorandum posted on the PSE Web site the two trading participants could no longer directly or indirectly trade on the stock exchange during the period of suspension.

CMIC warned other trading participants not to execute or entertain any transaction or deal with the two suspended brokerage firms.

The regulator suspended Nieves Securities for failure to secure PSE approval on

the change in ownership structure involving at least 51 percent, disclose any change in ownership constituting 10 percent or more within three days and maintain the P100-million minimum paid-up capital requirement of the exchange.

CMIC, meanwhile, did not cite details on the violation of I. Ackerman Securities, the first American-owned stock brokerage in the Philippines, and one of the most long-standing companies in the region.

I. Ackerman & Co. Inc. was founded by the late Irving

Ackerman, a New Yorker who transplanted himself to the Philippines shortly after World War II. Ackerman went on to become one of the founding members of the Makati Stock Exchange—the predecessor to the Philippine Stock Exchange—in 1963.

Formed in 2011, CMCI was established to reinforce the confidence of the investing public in capital market institutions and promote a more active and vibrant market participation. It acts as the independent audit, surveillance and compliance arm of the exchange.

As a self-regulatory organization, it aims to maintain the integrity of the market and minimize the risk of the investing public by ensuring the trading participants adhere to all rules, regulations and code of conduct of the CMIC and the exchange, as well as all related legislative and regulatory requirements.

The PSE registered a net income of P199.4 million in the first three months of 2014, up 8 percent from P184.8 million a year ago, on higher listing-related income and stable trading activity.

Operating revenues in the

January-March period grew 22.8 percent to P323.4 million from P263.4 million a year earlier, as listing-related income soared 145.7 percent to P168.15 million.

One company listed by way of introduction while several companies conducted stock rights offerings and private placements in the first quarter.

The PSE said despite the lower trading activity in the market in the first quarter, trading-related revenues climbed 6.1 percent, on the back of higher market data revenues and other subscription fees.

## Century Pacific to sell Vita Coco

CENTURY Pacific Foods Corp., has signed with US-based Vita Coco to be the exclusive Philippine distributor of its product.

The company said it will initially distribute Vita Coco's 330 ml size beverages, in tetra pack throughout the country.

Vita Coco's coconut however is sourcing part of its coconut juice in the Philippines.

"While Vita Coco has sourced some of its popular coconut water from the Philippines since 2010, this is the first time the brand will be sold in the country," the company said.

Century Pacific's production affiliate in General Santos has been supplying the coconut water to Vita Coco for sale in US and Europe since 2013.

"We believe in the appeal of healthy products for Philippine consumers, so we're proud to enter a new stage of our relationship with this distribution agreement and bring the Vita Coco brand to the Philippines," said Chris Po, Century Pacific president.

Michael Kirban, Vita Coco chief executive officer, said the decision to bring Vita Coco to the Philippines was influenced by the cocconut-drinking market.

"Consumers in the country have long understood and appreciated the taste and functionality of fresh coconut water. Because Philippines has been a key partner in helping increase Vita Coco's production to meet rising demand in many countries, we are thrilled to be able to deepen our ties to the country and its people by selling Vita Coco here for the first time," he said.

Originally introduced in New York City in 2004, the Vita Coco brand is now sold in over 80,000 stores throughout the United States. Over the past four years, the beverage brand has successfully marketed coconut water internationally and is now sold in Europe, Japan, and South Korea.

**T**HE Philippines, which recently secured investment grade credit ratings and substantially improved its ranking on global competitiveness, is prepared for the integration of Southeast Asian economies in 2015.

Trade and Industry Secretary Gregory L. Domingo said that since 2010, the Philippines has widely opened its doors to international trade with the lifting of tariffs on 99 percent of commodities coming from other countries belonging to the Association of Southeast Asian Nations (Asean).

Domingo said the liberalization has helped improve competitiveness of industries in the country. As such, he said, the Philippines can be well adjusted as the Asean region formally enters the process of becoming one economic bloc.

"In general, liberalization has worked very well in the Philippines. It definitely made many of our sectors very competitive not only regionally but also globally," Domingo said in one of the sessions of the World Economic Forum on East Asia (WEF-EA) titled "Trade: Lifting Barriers to Growth."

The country last year secured investment grade rating from all three major credit rating agencies, namely Fitch Ratings, Standard & Poor's, and Moody's Investor Service.

Earlier this month, S&P further upgraded the country's credit rating to a notch above the minimum investment grade.

The credit watchdogs cited the country's robust economic growth and favorable macroeconomic fundamentals in their decision to lift the ratings.

Also, the ranking of the Philippines in the World Economic Forum's Global Competitiveness survey jumped 26 notches from 2010 to 2013.

The task at hand now, Domingo said, is to replicate the competitiveness of major players across industries to the small and medium enterprises (SME) sector.

He said SMEs need to be educated on the benefits of Asean integration, which will open up a huge market for their goods and services.

In the Philippines, MSMEs (micro, small and medium enterprises) account for 99.6 percent of our total enterprises, employs 61 percent of our total employed population, and contributes 32 percent to the GDP.

By asset size, micro has capitalization of up to P3,000,000; small from P3,000,001 - P15,000,000; and medium from P15,000,001 - P100,000,000.

Together, Asean countries have over 600 million in population.

Its population, the third biggest in the world following that of China and India, provides a good pool of workers and consumers that businesses can take advantage of.

One way to boost competitiveness of SMEs is to simplify regulations so they can operate in the formal sector and tap a wider customer base, Domingo said.

With merchandise trade almost completely liberalized with the elimination of tariffs, Asean only has to work on removing the non-tariff barriers to integrate its member economies.

Lifting non-tariff barriers entails establishment of infrastructure that will improve

See PH ► Page A11

physical connectivity of Asean countries, formation of uniform regulatory standards, and setting up of appropriate information technology for cross-border payments and settlements, among others.

Part of the agenda of Asean is to achieve free movement of goods, labor, investments, and capital within the region to boost economic activities, create more jobs, and increase incomes.

According to various projections, South-east Asian countries are likely to maintain

positive growth this year and in 2015.

Based on forecast by the International Monetary Fund, five ASEAN economies—Indonesia, Thailand, Malaysia, Philippines, and Vietnam—are expected to grow by an average of 4.9 percent this year and 5.4 percent in 2015.

Growth will be led by the Philippines, which is estimated to grow by 6.5 percent this year and next year.

Asean economic officials also said other member countries of the region enjoy positive growth outlooks as well.

Asean also has Brunei, Laos, Myanmar, Thailand, and Singapore as members.

Amando Tetangco, Bangko Sentral ng Pilipinas Governor, said proper communication is necessary so economies with favorable macroeconomic fundamentals, like that of Asean, will be distinguished against other emerging markets.

Asean aims to achieve regional integration starting 2015. The goal is to market itself as one economic bloc to boost investments, job generation, and incomes.

# Geopolitical stability, reducing inequality essential for Asean economic growth

PARTICIPANTS at the World Economic Forum on East Asia were told that the fundamentals for growth in Asean are strong. Its young population, natural resources, rising consumption and proximity to China, among other factors, have positioned it to be an engine of growth in the future.

However, there are a number of barriers to unlocking this economic future: disagreements related to the South China Sea, as well as political unrest in Thailand, demonstrate the potential fragility of this outlook.

"We need regional stability and peace. From an investor's point of view, that is number one", said Victor Chu, Chairman and Chief Executive Officer, First Eastern Investment Group.

Many Asean nations face a similar set of challenges, including improving infrastructure, investing in education and streamlining regulations.

Developing both hard infrastructure - such as ports, roads and airports - as well as "soft" infrastructure of developing the region's labour market

could increase economic connectivity within Asean.

According to Anthony Fernandes, Group Chief Executive Officer of AirAsia, Malaysia, "the potential of the ASEAN economic community is massive".

Unlocking this potential requires reducing not only formal regulatory obstacles to free trade but also "invisible" barriers, Fernandes noted.

Recently, the Philippines has focused on reducing corruption and improving good governance as one strategy for improving its economic outlook and connectivity within the region. "The story of the past four years is a comeback story," said Cesar Purisima, Secretary of Finance of the Philippines.

"Governance is the most important ingredient."

Indonesia has also undergone challenging political and economic reforms, such as reducing fuel subsidies and increasing interest rates.

Muhamad Chatib Basri, Minister of Finance of Indonesia, said: "The first thing we need to do is

ensure the political stability."

Next, he argued, the nation's focus has been infrastructure.

A lingering challenge to long-term growth is persistent income inequality. "Income inequality has been getting worse across the world for the past 30 years," said Lee Il-Houng, G20 Sherpa, Ambassador for International Cooperation, Ministry of Foreign Affairs of the Republic of Korea.

He noted that these structural problems demand major systemic reforms. On the supply side, there is a need for innovations in improving energy efficiency, and on the demand side, Lee referred to the need to strengthen the region's middle-income populations.

The recent unrest in Thailand raised questions about the risks of investing in the region.

Participants noted that this instability suggests the need for greater Asean integration so that companies and communities alike can relocate more easily and access resources to withstand shocks.

# Private firms turn bullish in 2nd quarter

## BSP survey cites several factors for optimism

By Paolo G. Montecillo

**BUSINESSES** turned more bullish in the second quarter, expecting to make more money as the domestic economy recovers from the effects of Super typhoon "Yolanda" and get a boost from improving conditions in advanced markets.

The improvement was a result of several factors, mainly robust consumer demand during the harvest season, graduation and enrolment periods, and the summer season that brings in

more foreign and local tourists, results of a central bank survey showed.

Respondents also cited continuing confidence in the Aquino administration and the improvement of global economic conditions as reasons for their optimism.

"The country's strong macroeconomic fundamentals such as manageable inflation and steady growth of remittances as well as more favorable external conditions with the recovery of global markets support the positive business outlook," the Bangko Sentral ng Pilipinas (BSP) said in a statement.

Results of the BSP's Business Expectations Survey for the second quarter showed that the overall confidence index (CI) rose to 50.7 per-

PRIVATE/B2

## Private firms turn bullish in 2nd quarter

From page B1

cent from 37.8 percent in the Q1 2014 survey.

This higher reading indicated that the number of optimists increased and continued to be greater than the pessimists during the quarter. The confidence index is computed as the percentage of firms that answered in the affirmative less the percentage of firms that answered in the negative with respect

to their views on a given indicator.

For the third quarter, businesses anticipated continuing economic expansion as the next quarter CI sustained its high level of 48.9 percent.

This was due in part to the more optimistic outlook of firms in the wholesale and retail trade and construction sectors given their expectations of brisk demand at the start of the school year and new expansion projects in power

generation, telecommunications and building of highways, the BSP said.

The survey was conducted from April 1 to May 14 and covered 1,529 companies across the country. Respondents were drawn from the combined top corporations based on the list of the Securities and Exchange Commission's Top 7,000 Corporations in 2010 and BusinessWorld's Top 1000 Corporations in 2012.

## INDICATORS

### PESO-DOLLAR RATE

May 23, 2014

**43.670**

### STOCK MARKET

May 23, 2014

**↓ 19.25**

(See stock market report on Page B4-2)

### Market seen to consolidate

LOCAL stocks are seen continuing to consolidate this week but a potential catalyst could be the release of the country's first-quarter economic report card.

Last week, the main-share Philippine Stock Exchange index (PSEi) hit a new high and

breached 6,900 but lost steam later during the week due to profit-taking. Week-on-week, it lost 0.09 percent at 6,811.33 on Friday.

"The market's inability to break above the 6,900 levels raised valuation concerns as

MARKET/B2

## Market seen to consolidate

From page B1

news came out that one of the biggest funds in the local market started unloading," said Jonathan Ravelas, chief strategist at Banco de Oro Unibank.

As the PSEi managed to stay above 6,800, Ravelas said the near-term bias would be for the index to retest the recent high of 6,906.

"A break below 6,800, however, could signal further losses toward 6,650-6,700," he said.

Joseph Roxas, president of Eagle Equities Inc., said the market would still be in a consolidation mode, with support levels at 6,700 to 6,650 and resistance at 6,900.

It was possible that the index would pierce the 6,800 level due to profit-taking, Roxas said, but not necessarily for the whole week.

What could change the tone for the market, he said, would be the actual release of Philippine first-quarter GDP results on May 29. *Doris C. Dumlao*

# Internet sale is mass media

WHEN USED to sell products and services to the public, the Internet is considered an instrument of mass media that is subject to the nationality rules on ownership.

This, in a nutshell, was the opinion rendered by the Securities and Exchange Commission (Opinion No. 14-06) on the issue on whether a foreign-owned company can provide a digital platform for advertisements and sales.

Komil Network Phils. Inc., a domestic corporation whose voting shares are wholly owned by a foreign corporation, asked if it can engage in, among others, the following activities:

- Wholesale marketing and sale of digital publications;
- Provide a platform to clients to reach out to their target audience and advise them on online outlets that would best meet their promotional campaigns;
- Provide a platform to third party websites to sell and monetize their online inventory.

The company intends to use the Internet or mobile technology as primary medium to ac-

complish these objectives.

In fine, the offered services are in the nature of advertisement and mass media, both of which are covered by restrictions on foreign ownership by our Constitution.

## Promotion

To gain a clear understanding of the issues involved, the SEC cited the definition of "advertising" and "mass media" in existing laws.

Advertising is "the business of conceptualizing, presenting or making available to the public, through any form of mass media, fact, data or information about the attributes, features, quality or availability of consumer products, services or credit."

Thus, advertising agencies "serve as agents or counsellors ... by writing, preparing or producing the commercial messages or materials used by advertisers in selling their goods and services ..."

Mass media, on the other hand, refers to "any means or methods used to convey advertising messages to the public

**Corporate  
Securities  
Info**

**Raul J.  
Palabrica**



such as television, radio, magazines, cinema, billboards, posters, streamers, hand bills, leaflets, mails and the like."

Only corporations wholly owned and managed by Filipino citizens can validly engage in mass media activities. The citizenship requirement is "intended to prevent the use of such facility by aliens to influence public opinion to the detriment of the best interest of the nation."

The SEC said the Internet and mobile technology have become recognized platforms for mass media. It cited the Tobacco Regulation Act of 2003 which specifically includes the Internet in the definition of mass media.

Based on these definitions, the SEC stated out that by providing advice to clients, after

studying their target audience's online habits, on what online outlets to use to connect to them, Komil is considered engaged in advertising.

This activity would bring it within the purview of the constitutional provision limiting foreign equity in advertising agencies to a maximum of 30 percent.

## Restrictions

Aside from the issue of foreign ownership in advertising agencies, the SEC also pointed out that Komil's sale of digital publications in retail (or direct to the consumers) would trigger the application of the foreign equity restrictions under the Retail Trade Liberalization Act of 2000.

The law states that "retail trade enterprises with a paid-up capital less than the Philippine Peso equivalent of Two Million Five Hundred Thousand US dollars (US\$2,500,000) shall be exclusively owned by Filipino citizens and corporations wholly-owned by Filipino citizens."

Komil's plan to provide a digi-

tal platform to third party websites to sell and monetize online inventory proved to be the clincher in its legal woes.

The SEC said that "although the company will not own or operate any media outlet nor will affiliate with any Internet service provider, online retailer or social networking site and will merely act as a middleman by bringing together the product manufacturers and third-party websites, it will provide an online platform intended to increase the same of a particular product."

With this as premise, the SEC stated, citing an earlier opinion, that "if the corporation is engaged in the operation of a voucher platform on the Internet with the purpose of increasing the sales of a particular product or service, it, in effect, disseminates information to the general public through the Internet and is thus considered a mass media entity."

Bottom line, since Komil is wholly owned by a foreign corporation it cannot lawfully engage in the activities earlier mentioned.

## Observations

Although this opinion applies only to Komil, the SEC's treatment of the Internet as a mass media entity would have serious implications on corporations that provide portals or digital platforms for the promotion, distribution and sale of products and services.

It is common knowledge in the industry that many of the existing service providers or website administrators, including search engines, have cross-ownership or joint management arrangements with foreign entities.

If the rules on mass media ownership are to be strictly applied, the border less or seamless nature of the Internet, which accounts for its efficiency and usefulness, would be adversely affected.

So who and how will this nationality requirement be enforced, if at all? Or is it even worth the time and effort of the government to enforce it.

For comments, please send your e-mail to [rpalabrica@inquirer.com.ph](mailto:rpalabrica@inquirer.com.ph).

# Netsuite bets big on PH, expands operations

By Vanessa B. Hidalgo

SAN JOSE, California—It is no secret that the Philippines is a home away from home for many global companies. The country is considered ideal primarily because of the communication skills and ingenuity of Filipinos.

Netsuite, one of the world's leading providers of cloud-based services, is one of a growing number of companies that consider the Philippines their "backyard."

Netsuite said during the recently concluded SuiteWorld 2014 here that it had a soft spot for the Philippines.

Netsuite Philippines general manager James Dantow recounted that there were only a handful of employees back when the company started in the Philippines in 2006. Operations were so small that he would sometimes rush to the supermarket to purchase toilet paper for the employees.

Times have changed dramatically as Netsuite Philippines today is home to 800 employees. By the end of 2014, Netsuite expects to add at least another 1,200.

"We love the Filipinos because of their commitment to the company, their loyalty and how employees look after each other. They look after us and our customers," Dantow said.

He said one of management's tasks was to create an environ-



**JAMES Dantow**

ment that will enable employees to contribute to production and in turn, the culture in the office.

Filipinos were very receptive to management programs, he said.

"They help out with CSR (Corporate Social Responsibility) events. When someone gets in trouble, we pass the hat. They engage the management and make sure that their voices are heard for the improvement of the company," he added.

That Netsuite has good people he attributes to a rigid application process. Dantow said employees went through a battery of competency tests and even a security check. He is proud to say that most employees got in because of referrals from other employees.

"That level of commitment we found is very positive. That's why we keep growing back there [in Manila]," he said.

The passion that fuels Netsuite stems from the work of its top-of-the-line engineers who make applications and enhance features according to the needs and wants of discriminating Netsuite customers.

Dantow is happy to report that some features of Netsuite's app were constructed by Filipino engineers.

Dantow said he viewed the Philippine market as a "receptive market compared to other Asian markets when it comes to cloud computing." He attributes this to Filipinos' intimate knowledge of the outsourcing industry and better communication infrastructure.

"Philippine businesses tend to focus on cost efficiency. And a lot of Philippine companies have

been around for a long time and they're looking for growth outside," he said.

He believes that all roads lead to a favorable market for cloud computing in the Philippines.

Cloud computing is defined as the practice of using a network of remote servers hosted on the

Internet to store, manage and process data, rather than a local server or a personal computer.

Dantow said the Philippines had all the components that could make cloud computing work.

Small and medium entrepreneurs were the first to take the plunge when Netsuite floated the idea of using the cloud as their storage. Carryboy Djamond Rent-A-Car and Island Rose are old customers of Netsuite, and they are feeling the benefits of integrating cloud computing into their operations.

But there is still a long way to go before cloud computing becomes commonplace in the Philippines.

Netsuite Philippines has thus shifted its focus to educating consumers on the benefits of cloud computing. It aims to debunk myths about the accessibility and security issues that surround the cloud.

To help remove doubts in customers' minds, Netsuite shares other users' success story.

"We let our other customers speak of their own experience with the cloud, regarding ease of implementation and the vast power of running their business using a single system," Dantow said.

With the Philippine economy continuing to grow, Netsuite looks forward to working with Philippine companies who aim to diversify outside Manila. "Everybody's growing. We want to help drive their sales up by providing a business software which offers accessibility and continuity," he added.

Big companies like Mead Johnson, Ayala Foundation, American Chamber of

Commerce and University of Makati recently went to the cloud.

Evan Goldberg, founder of Netsuite, was in Manila last February, a testament to the global headquarter's support for the growing operations in the country.

"We have a great team in Philippines. I have over a hundred people there under product division. They are mostly developers

NETSUITE/B3-3

## Netsuite bets big on PH, expands operations

From page B3-1

and in charge of data security," Goldberg said.

Also, a big chunk of customer support is based in the Philippines.

When Goldberg came over, he was delighted to meet the people behind the voices who guide users of Netsuite around the world.

"They truly are a critical part of Netsuite operations," he added.

He was positive that the crew in Manila would keep growing as he emphasized that most employees in the Philippines were with Netsuite right from the beginning.

He said Netsuite had experienced tremendous hiring success in the Philippines.

Headquartered in RCBC Makati, employees have basically stamped their own vibrant culture on Netsuite, allowing the company to expand rapidly.

Netsuite said its mission was to eliminate or at least reduce the complexities of running a business.

"We're helping other companies help themselves. And we can only do that if we have competent people to rely on. This is why Netsuite has thrived, because of the employees," Dantow said.

# Fortinet expands PH unit

## US firm banks on increased spending on security

By Ana Roa

TAIPEI, Taiwan—Network security vendor Fortinet aims to increase its presence in the Philippines by focusing on the telecommunications and government sectors.

George Chang, Fortinet vice president for Southeast Asia and Hong Kong, said in a recent briefing here that Fortinet's future investments in the country would come in the form of ground support that will cater to the needs of current and future customers.

"In the next years, at the least we're going to put more headcount into these particular areas and a support team as well on the ground," Chang said during a group discussion with media.

"We believe that's important. For our company to move forward, we need to understand our customers better and support them better as well. The investments will come in those areas," Chang added.

Fortinet has been in the Philippines since 2004 but the local country office was set up only in 2010.

It sells its products primarily through its distributor MSI-ECS Phils. Inc. and other channel partners.

Apart from telecommunications and government sectors, Fortinet is also looking at tapping enterprises in the country.

Chang said the rise of e-com-

merce, Web-based applications and new technological devices were among the factors that would drive spending in network security in the coming years.

Forecasts by business consulting firm Frost and Sullivan show that the network security market in Asia Pacific could hit \$2.5 billion this year and reach \$3.1 billion in 2016.

In the Philippines, the network security market is projected to grow by an average of 19.4 percent in the next few years.

Patrice Perche, Fortinet senior vice president for international and sales support, said the company was looking at a 30-percent revenue growth in the region this year from 20 percent last year.

Fortinet expects faster growth in its business in Asia Pacific on the back of the company's expanding product portfolio, Perche said.

Its newest products, the FortiADC-1500D, FortiADC-2000D and FortiADC-4000D, represent an expansion of Fortinet's Application Delivery Controller lineup, which provides high performance, rich features and strong security for high-volume application environments while reducing overall total cost of ownership.

At the same time,

Fortinet plans to beef up its channel partners and increase its investments in some countries in the region.

It has a direct presence in 61 countries and has over 20,000 distributors and resellers worldwide.

In terms of market share, Fortinet has set its sights on becoming the second largest network security vendor in Asia Pacific by the end of the year.

Based on the recent IDC Worldwide Security Appliance Tracker, Fortinet currently ranks third in the Asia-Pacific market with a share of 6.62 percent.

Cisco occupies the top spot with a market share of 14.36 percent while Check Point ranks second with a share of 6.68 percent.

Fortinet, a listed company on Nasdaq since 2009, is headquartered in Sunnyvale, California.

# Malaysia seeks closer economic ties with PH

## Tourism, Islamic banking among cooperation areas eyed

By Amy R Remo

MALAYSIA has sought closer economic ties and increased bilateral trade and investments with the Philippines, which is deemed to hold significant business potential given its strong economy, huge population and growing middle class.

"We will do more work to promote closer economic ties between Malaysia and the Philippines. We see a lot of potential in the Philippines. The growth has been robust and has good prospects," noted Dato' Sri Mustapa Mohamed, Minister of International Trade and Industry in Malaysia.

"You have done well in the business process outsourcing (BPO) industry, agriculture, manufacturing and electronics. As the economy grows, we see that there's more potential for trade between Malaysia and the Philippines and we're expecting more investments from the Philippines, as well," Mohamed said in a briefing held on the sidelines of the World Economic Forum on East Asia (WEF-EA) last week.

Total bilateral trade between Malaysia and the Philippines stood at \$4.47 billion as of end-

2013, reflecting close to 10 percent decline compared to the previous year. Malaysian exports to the Philippines, comprising mainly of electrical and electronics products, chemicals, and processed food, fell 12.5 percent to \$2.965 billion. Imports, comprising mainly of electrical and electronics products, processed food, crude rubber and refined petroleum products, similarly fell 3.1 percent to \$1.505 billion.

Mohamed was bullish of increased trade between Malaysia and the Philippines this year, given the two countries' sizes and income levels.

"We expect a recovery in trade between Malaysia and the Philippines. There's a lot of underutilized potential. The Philippines is a growing economy, a huge population, with a growing middle class," Mohamed added.

In terms of investments, Mohamed was likewise bullish of the opportunities particularly in tourism, Islamic banking, agriculture, rubber and oil palm, among others.

"We've got tourism. It's a big business in Malaysia and an important sector in the Philippines. I'm hoping there will closer collaboration in tourism," Mohamed said.

"I know there is a lot of interest in the Philippines to develop Islamic banking and finance. Malaysia has the expertise and human capital; can provide training facilities; and has the products and debt instruments. If the Philippines is interested, our people are keen to further discuss this subject including the possibility of providing cooperation with banks in this country," he further said.

According to Mohamed, there are also ongoing discussions on agriculture, oil palm and rubber, particularly in Mindanao.

At present, Malaysian firms in the country are engaged in infrastructure and banking and finance, among other sectors. The biggest investment, so far, by a Filipino firm in Malaysia was the \$1.2-billion acquisition of the Esso Malaysia Berhad, its 600 petrol stations and refinery, which was made by conglomerate San Miguel Corp. through Petron Corp.

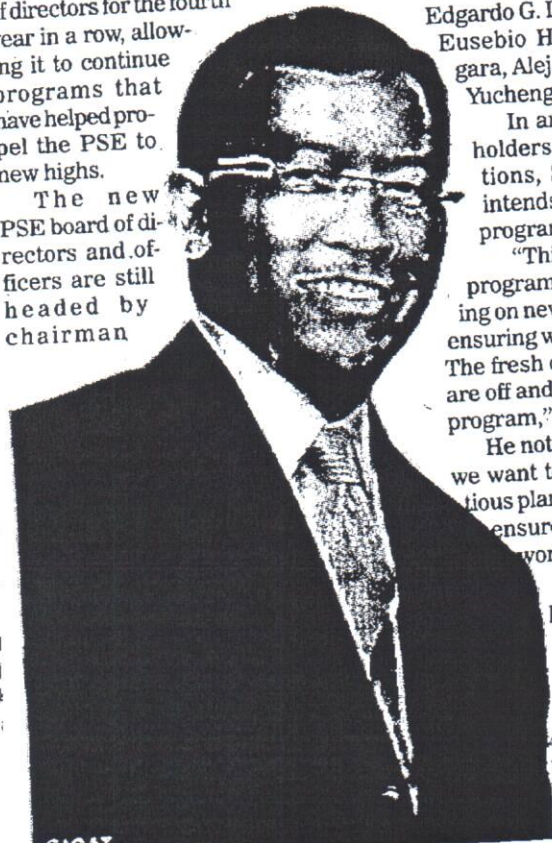
Prospects are significant particularly in Mindanao, with the Brunei-Indonesia-Malaysia-Philippines East Asean Growth Area (BIMP-EAGA) subregional economic cooperation initiative, and with the signing of the Bangsamoro Peace Agreement.

# PSE re-elects board for 4th time

By JAMES A. LOYOLA

Philippine Stock Exchange (PSE) shareholders re-elected its entire board of directors for the fourth year in a row, allowing it to continue programs that have helped propel the PSE to new highs.

The new PSE board of directors and officers are still headed by chairman



SICAT

Jose T. Pardo and president Hans B. Sicat while the directors are Emmanuel O. Bautista, Anabelle L. Chua, David O. Chua, Francis Chua, Dakila B. Fonacier, Eddie T. Gobing, Amor C. Iliscupidez, Edgardo G. Lacson, Cornelio T. Peralta, Eusebio H. Tanco, Roberto G. Vergara, Alejandro T. Yu, and Ma. Vivian Yuchengco.

In an interview after the stockholders' meeting and board elections, Sicat said the PSE board intends to continue its three-year program.

"This is the second year of that program. It's a continuation of focusing on new products, new services and ensuring we are technically up to speed. The fresh one year mandate means we are off and running and continuing that program," Sicat said.

He noted that "we have a few things we want to do. Certainly, it is an ambitious plan. The end result is to basically ensure we want to be viewed as a world-class type of exchange."

Sicat explained that the impact should be higher volume and value of trades as well as more depth in the products being traded in the bourse.

According to Sicat, among the projects the PSE is working on is the composition of a Shariah index. "There are lots

of backtesting, cross checking, looking for the ideal set-up," he said.

He noted that they already have a Shariah index in Indonesia and Malaysia.

Listed companies have so far raised ₱75.9 billion in fresh from the PSE, this is 212 percent higher than the ₱24.28 billion raised in January to May last year. More listings are expected in the coming months.

"If you talk to the issuers, bankers and underwriters, they seem to be all busy plotting the next capital raising," Sicat said.

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## Philippines well-prepared for Asean integration

The Philippines, which recently secured investment grade credit ratings and substantially improved its ranking on global competitiveness, is prepared for the integration of Southeast Asian economies in 2015.

Trade and Industry secretary Gregory Domingo said since 2010, the Philippines has widely opened its doors to international trade with the lifting of tariffs on 99 percent of commodities coming from other countries belonging to the Association of Southeast Asian Nations (Asean).

Domingo said the liberalization has helped improve competitiveness of industries in the country. As such, he said, the Philippines can be well adjusted as the Asean region formally enters the process of becoming one economic bloc.

"In general, liberalization has worked very well in the Philippines. It definitely made many of our sectors very competitive not only regionally but also globally," Domingo said in one of the sessions of the World Economic Forum on East Asia titled "Trade: Lifting Barriers to Growth."

The country last year secured investment grade rating from all three major credit rating agencies, namely Fitch Ratings, Standard & Poor's, and Moody's Investor Service.

Earlier this month, S&P further upgraded the country's credit rating to a notch above the minimum investment grade.

The credit watchdogs cited the country's robust economic growth and favorable macroeconomic fundamentals in their decision to lift the ratings.

Also, the ranking of the Philippines in the World Economic Forum's Global Competitiveness survey jumped 26 notches from 2010 to 2013.

The task at hand now, Domingo said, is to replicate the competitiveness of major players across industries to the small and medium enterprises (SME) sector.

He said SMEs need to be educated on the benefits of Asean integration, which will open up a huge market for their goods and services.

Together, Asean countries have over 600 million in population.

One way to boost competitiveness of SMEs is to simplify regulations so they can operate in the formal sector and tap a wider customer base, Domingo said.

With merchandise trade almost completely liberalized with the elimination of tariffs, Asean only has to work on removing the non-tariff barriers to integrate its member economies.

Lifting non-tariff barriers entails establishment of infrastructure that will improve physical connectivity of Asean countries, formation of uniform regulatory standards, and setting up of appropriate information technology for cross-border payments and settlements, among others.

## Razon to gov't: Spend for PPPs

The government should reduce its dependence on sourcing funds from the private sector for flagship projects such as those included in the Private-Public Partnership (PPP) and start investing heavily on infrastructure on its own to speed the pace of projects which are being left behind by the economy's robust growth, International Container Terminal Services Inc. chairman and president Enrique Razon Jr. said during the recently-held World Economic Forum.

In the session on "Accelerating Asean Strategic Infrastructure" where he was a panelist, Razon said the government should take advantage of the golden age of financing in terms of low interest rates mainly as a result of the investments grade the Philippines had obtained from credit rating agencies.

"There is a misconception that every infrastructure can be done through PPP but what can be done by the private sector is extremely limited," he said adding that such projects are mainly those in high population density areas that can provide investors adequate returns.

Don Lam, chief executive officer and co-founder of the VinaCapital Group of Vietnam, supported the views of Razon saying it would be better for the government to package one or two viable projects to be presented to the private sector rather than lining up 100 or more projects and ask the private sector to invest into these.

Razon said the government should be spending for rural roads, airport runways, tourist roads and smaller outlying airports and should not offer these for private sector financing.

"Mass transports should also be government projects not PPP" since it would create problems if a private developer starts charging high fares to recover investments.

Asian Development Bank (ADB) vice president Stephen Groff said multilateral institutions have funds for infrastructure that the government can tap such as ADB's \$500-million infrastructure fund.

"The misconception (among governments) is that the private sector will just come in and do large-scale projects," he said.

"I strongly urge the government to take advantage of the golden era for financing" that the country is into and it should now be doing more infrastructure than the private sector," he said.

Razon said for PPP projects to succeed, the government should instead offer operation and maintenance contracts where the private sector will come in as managers for government projects.

Large projects take more time to get financing package and only in profitable ones will the private sector will go in right away to invest, according to Razon.

Lam said there is no shortage of money in the region but the government should offer bankable projects to the private sector.

Razon said there are more money than deals now in the Asian region.

# Business

Mario F. Fetalino Jr., Asst. Editor □ e-mail: [moneytribune@yahoo.com](mailto:moneytribune@yahoo.com)

Monday, May 26, 2014

## Malaysian companies invested \$51M to RP

By Ed Velasco

Investments estimated at \$51 million have been infused to the country by various Malaysian investors, the Embassy of Malaysia Trade Office announced during a press conference recently.

Matrade officials, who presided a press conference as a sidelight of the recently concluded World Economic Forum, said they conducted 120 business matching activities participated in by 17 Malaysian and 44 Philippine companies.

Malaysian Minister of International Trade and Industry Dato'Sri Mustapa Mohamed said it's a pleasure for Malaysian firms to do business in the Philippines because the two countries share common belief that the best way for a country to grow is through business initiatives.

Mohamed said the companies that will continue to do business in the Philippines through direct supply, distributorship, partnership or joint venture agreements include Emerge Systems, Sdn Bhd, Eprotea Msc, Sdn Bhd, Heitech Padu Berhad, Imeus Sdn Bhd, Ix Telecom Sdn Bhd, Tess Innovation Sdn Bhd, Triaset Sdn Bhd, Verion Research Sdn Bhd, *Wannastation.com* and Sdn Bhd.

"We want to promote closer economic

integration. We promote intra-Asean investment, which means more businessmen from Malaysia will be investing in the Philippines and more Filipino companies will be investing in Malaysia," the minister told business reporters at the Fairmont Hotel in Makati City.

The business matching activity was also participated by the three construction companies — Ranhill Utilities Sdn Bhd, Ho Shen Lee, Sdn Bhd and Brickwell Engineering as well as Mestari Adjusters Sdn Bhd, representing the financial sector and Nurul Izzah Catering for food and beverage industry.

Their Filipino counterparts include Pointwest Technologies Corp., Information Professionals Inc, Philippine Business Bank (PBB), Burgundy Global Exploration Corp., Benedicto Steel, Megaworld Corp., Gothong Southern Shipping Lines Inc., Al Amanah Islamic Investment Bank of the Philippines, Fobap, Eyelectric Inc, World Trade Center, John Clements Consultants Inc. and I-Tech Global Business Solutions Inc.

Pointwest senior executive Renato Quizon said his firm is exploring business expansions in the Asean region, North America, Australia and Japan.

PBB president and chief executive officer Rolando Avante made initial talks with a Malaysian businessman who needs financing

service for the planned expansion in the country.

Gothong Southern Logistics Manila branch head Dante Fermazi said they are looking into collaboration with Malaysians on exploring trade route between Malaysia and the Philippines.

Sabah Economic Development and Investment Authority senior executive Justin Janim has invited Filipino businessmen to invest in Sabah.

Also during the event, Board of Investments' International Investment Promotion Service Philippines director Angelica Mapua Cayas made a presentation on "Doing Business in the Philippines."

She said Investment Promotion Agencies approved investments from Malaysia went down to \$20.307 million in 2013, from \$37.86 million in 2012.

The chairman of the Regional Board of Investments in the Autonomous Region in Muslim Mindanao lawyer Ishak Mastura said peace and development in Mindanao could help boost economic ties between both countries.

Malaysia's exports to the Philippines amounted to \$2.97 billion, representing 1.3 percent of the total trade last year. Imports from the Philippines, on the other hand, amounted to \$1.51 billion, representing 0.73 percent share of the total imports in 2013.

## CONFIDENCE OF FIRMS ROSE CONSIDERABLY IN BSP'S Q2 B.E.S.

BY BIANCA CUARESMA

**T**HE seasonal uptick of activities, as well as positive local and global developments, pushed the local firms' enthusiasm on the country's economic prospects to rise in the second quarter of the year, the latest survey of the Bangko Sentral ng Pilipinas (BSP) showed.

In particular, latest data from the Business Expectations Survey (BES) showed that the private sector's outlook on the economy hit an overall confidence index (CI) of 50.7 percent, up from the 37.8 percent seen in the first-quarter survey.

The more robust outlook of local enterprises was pushed mostly by the expectation of higher consumer demand during the secondary harvest season and the graduation and enrollment periods. Higher demand from higher tourist arrivals during the summer season was also cited as a major driver to the higher CI of businessmen during the period.

Other factors that led to a significant rise in the bullishness of firms in the country include the new construction projects from the rehabilitation efforts in typhoon-hit areas, the higher volume of production during the period, the higher global

SEE "BSP," A2

## BSP. . . CONTINUED FROM A1

demand for exports due to the recovery of advanced economies and the "continuing confidence" in the local administration.

The CI is computed as the percentage of firms that provided a positive answer for the Philippines economy less the percentage that had a more negative outlook. A high and positive CI means that the number of optimists on the Philippines economy significantly outnumbered the pessimists during the period.

Outlook of trading firms were particularly optimistic during the period, as business involved in international commodity trading hit a record-high CI of 54.4 percent.

"Importers expected that growth would be driven by higher consumer demand during the summer and enrollment period. Meanwhile, the improved optimism of exporters could signal an expected strengthening of demand with the recovery of global markets," the central bank said.

The construction sector also posted a record-high CI at 60.2 percent.

"Firms belonging to this sector expected that the expansion of construction services would be sustained, particularly as more public infrastructure projects were started during the quarter," the central bank said.

Firms also expect better financial conditions and easy access to credit in the second quarter of the year.

For the next months, meanwhile, confidence turned less optimistic, but still relatively high, due to the firms' expectation of a slower business activity during the rainy season. In particular, business posted a CI of 48.9 percent for the third quarter due to the seasonal slack during the wet season. This was, however, still partially offset by the buoyant outlook of some firms on the brisker demand at the start of the school year, as well as new projects in infrastructure building expected in the third quarter of the year.

## Govt lawyers say land deal of PSALM, SPC cannot be extended

**G**OVERNMENT lawyers said the land-lease agreement (LLA) signed between the Power Sector Assets and Liabilities Management Corp. (PSALM) and listed power



firm SPC Power Corp. (SPC) cannot be extended beyond 2020. The said deal—which involves the land-based gas turbine (LBGT) power plant in Naga, Cebu—is said to be valid for 10 years, or until January 29, 2020. The LBGT is part of the 153.1-megawatt (MW) Naga power plant complex (NPPC), which PSALM recently privatized. The NPPC land, excluding specific areas, was offered for a 25-year lease term as part of the privatization effort. SPC lost in the auction and PSALM declared Therma Power Visayas Inc. (TPVI) as the highest bidder in the NPPC auction.

SPC recently exercised its right to top the bid of TPVI and paid PSALM a sum of P1.143 billion, about 5 percent higher than the P1.088-billion bid made by Therma Power. However, SPC argued that it is also entitled to the 25-year lease term under the new NPPC LLA between PSALM and TPVI. According to SPC, it was notified by PSALM to top the winning bid within 30 days upon receipt of the notice:

PSALM then sought the opinion of the Office of the Government Corporate Counsel (OGCC) on this matter, after SPC wrote the state firm and said it expects PSALM to sign and execute, as the counter party, the asset-purchase agreement and the LLA attached in the bidding package.

In a five-page opinion dated May 21, the OGCC said there is nothing in the 2009 LLA that states it will be automatically renewed or extended upon SPC's exercise of the right to top the winning bid. The terms of the 2009 LLA cannot also be unilaterally modified, the OGCC rules.

"The 2009 LLA does not require that the right to top shall be exercised in accordance with the provisions of the newly executed 2014 NPPC LLA which is a separate and distinct transaction," said Government Corporate Counsel Raoul Creencia. "We agree that SPC may exercise the right to top in accordance with Section 3.02 and 2.01 of the 2009 LLA provisions, the source of such right. The 2014 NPPC LLA is a separate and distinct transaction, which is inapplicable with respect to SPC's right to top," added Creencia.

The OGCC's opinion, said Creencia, is limited "to matters which we have been sufficiently informed and does not pass upon the transaction's financial and commercial aspects, which PSALM shall determine based on its sound business judgment and prerogative."

The NPPC consists of the 52.5-MW Cebu 1 and 56.8-MW Cebu 2 coal-fired thermal power turbines and the 43.8-MW Cebu diesel power plant composed of six 7.3-MW bunker-fuel fed power units. The said power plants are all in Colon, Naga City, Cebu province. *Lenie Lectura*

# Reforms are sustainable beyond 2016 – Purisima

By CHINO S. LEYCO

The Aquino administration is determined to implement additional reforms until 2016 and ensure these governance initiatives are institutionalized and sustainable beyond 2016.

In a statement, Finance Secretary Cesar V. Purisima said the current administration will continue to take advantage of President Aquino's strong political capital to pursue much-needed reforms in his remaining term in office.

Purisima said the Aquino administration's goal is to ensure the good governance agenda is institutionalized and sustained beyond 2016.

"The people have come to know the impact of good governance on their lives as the economy makes huge strides," Purisima said in one of the sessions of the recent World Economic Forum on East Asia (WEF-EA).

As the public appreciates the benefits of good governance, Purisima is hoping for the swift passage in Congress of bills backed by the President.

These legislative measures include the amendment of the charter of the Bangko Sentral ng Pilipinas, the streamlining of customs procedures, the rationalization of fiscal incentives, and the easing of restrictions on foreign investments.

The bill seeking to amend the BSP charter is aimed to provide the monetary authorities with more flexibility in managing liquidity in the economy. It is also aimed at giving the central bank more teeth in regulating banks.

One of the key provisions in the proposed bill seeks to allow the BSP

to trade its own bonds in the capital market. Another seeks to require banks to secure prior approval of the central bank before changes in their ownership structure take place.

The central bank has been consistent in saying that the reform in its charter will ensure the financial entities in the country are well-managed by qualified people.

There is also a bill seeking to streamline customs procedure is aimed to help the Bureau of Customs in its fight against smuggling, while the one seeking to rationalize fiscal incentives seeks to lift unnecessary tax perks to boost revenue collection of the state.

Another key measure that has been subject of many debates is the easing of restriction on foreign ownership in the country that believes to provide a significant boost to investments and job creation, as well as increasing incomes.

So far, some of the key reforms implemented in the first four years of the Aquino administration include the Sin Tax Reform law that raised levy on alcohol and cigarettes, the Reproductive Health law, the tighter campaign against smugglers and tax evaders, and the reform in the national budget process to have integrity in handling of public funds, among others.

Moreover, infrastructure development has been accelerated under the Aquino administration.

Purisima said that out of over 50 projects included in the Public-Private Partnership (PPP) program, seven have been awarded to winning bidders.

These projects are ► **B-12**

## Reforms are... ◀B-1

the Daang Hari-SLEX Link Road, the first and second phases of the PPP for school infrastructure project, the Ninoy Aquino International Airport (NAIA) Expressway Project, the modernization of the Philippine Orthopedic Center (MPOC), the automatic fare collection system, and the Mactan-Cebu Inter-

national Airport passenger terminal building.

Purisima said that with the continued pursuit of reforms, the Philippines, which has become one of the fastest growing economies in Asia, is expected to generate more gains in the economic and political front.



Republic of the Philippines  
Department of Finance  
**Securities and Exchange Commission**  
SEC Building, EDSA, Greenhills, Mandaluyong City  
**MARKETS AND SECURITIES REGULATION DEPARTMENT**

IN THE MATTER OF

P-H-O-E-N-I-X PETROLEUM  
PHILIPPINES, INC.

(Registrant)

REGISTRATION OF SECURITIES  
(Short Term Commercial Paper)

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**NOTICE**

Notice is hereby given that on May 9, 2014, a sworn statement was filed with the Securities and Exchange Commission (the "Commission") for and on behalf of **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Registrant") for the registration of its Short Term Commercial Paper with an aggregate principal amount of up to Two Billion Pesos (Php2,000,000,000.00).

According to the papers presented, the following persons are the officers/directors of the Registrant:

NAME	POSITION
Dennis A. Uy	President and Chief Executive Officer
Domingo T. Uy	Chairman
Socorro Ermac-Cabrerros	Director and Corporate Secretary
Romeo B. De Guzman	Director and Chief Operating Officer
J.V. Emmanuel De Dios	Director
Paul Dominguez	Director
Jose Manuel R. Quimson	Director
Joseph John L. Ong	Director and Chief Finance Officer
Cherylyn C. Uy	Director
Monico V. Jacob	Independent Director
Justice Consuelo Ynares-Santiago	Independent Director
Gigi Q. Fuensalida	Assistant Corporate Secretary
Chryss Alfonsus Damuy	Treasurer

Said registration statement and other papers/documents attached thereto are open to inspection by interested parties during business hours, and copies thereof, photostatic or otherwise, shall be furnished to any party upon request, at such fees as the Commission may prescribe. The Registration Statement and the Prospectus dated May 9, 2014 and the corresponding updated version may also be downloaded from [www.phoenixfuels.ph](http://www.phoenixfuels.ph).

VICENTE GRACIANO P. FELIZMENO, JR.  
Director



Republic of the Philippines  
Department of Finance  
**Securities and Exchange Commission**  
SEC Building, EDSA, Greenhills, Mandaluyong City  
**MARKETS AND SECURITIES REGULATION DEPARTMENT**

IN THE MATTER OF :

**P-H-O-E-N-I-X PETROLEUM  
PHILIPPINES, INC.** :  
(Registrant) :

**REGISTRATION OF SECURITIES**  
(Fifty Million Preferred Shares with  
a par value of P1.00)

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**NOTICE**


Notice is hereby given that on May 6, 2014, a sworn Registration Statement was filed with the Securities and Exchange Commission on behalf of **P-H-O-E-N-I-X PETROLEUM PHILIPPINES, INC.** (the "Corporation") for the registration of 50,000,000 Preferred Shares with a par value of P1.00 of which 5,000,000 shares were sold on December 20, 2013 by way of exempt transaction under Rule 10.1 (l) & (k) of the Implementing Rules and Regulations of the Securities Regulation Code.

Please be informed also that a separate Registration Statement was filed on May 9, 2014 to cover the registration of Two Billion Pesos (P2,000,000,000.00) worth of Short Term Commercial Paper. A relevant notice shall also be published.

According to the documents presented on May 6, 2014, the following persons are the key officers/directors of the Corporation:

NAME	POSITION
Dennis A. Uy	President and Chief Executive Officer
Domingo T. Uy	Chairman
Socorro Ermac-Cabrerros	Director and Corporate Secretary
Romeo B. De Guzman	Director and Chief Operating Officer
J.V. Emmanuel De Dios	Director
Paul Dominguez	Director
Jose Manuel R. Quimson	Director
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Gigi Q. Fuensalida	Assistant Corporate Secretary
Chrysty Alfonsus Damuy	Treasurer

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**VICENTE GRACIANO P. FELIZMENIO, JR.**  
Director  
Markets and Securities Regulation Department