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Tuna maker probed over tax cheating

The General Santos City government will look into the book of accounts of a listed tuna manufacturing firm based in the locality due to a huge discrepancy in its declared gross income to the city and its financial records submitted to the Philippine Stock Exchange.

City Treasurer Rodilon Lacap said he also ordered personnel of the City Treasurer's Office to intensify tax mapping operations and inspections of the book of accounts of business firms to ensure that they are declaring their income accurately.

Lacap said they will look into the books of Alliance Select Food International Inc., a multinational firm engaged in canned tuna export production, which declared only a P630 million gross income in 2013 which became the basis for the computation of its business tax obligations that amounted to only P1.7 million.

The P630 million gross income declared by the company was in contrast to the P3.6 billion in gross revenues for 2013 which it submitted to the Philippine Stock Exchange.

The company is, currently involved in a corporate squabble among its shareholders and has been in the national news recently, catching the attention of local authorities.

Lacap said they want to determine whether the P3.6 billion revenues declared by Alliance Select were generated by its canned tuna processing plant in the city alone or includes revenues by all its subsidiaries.

He said that even if Alliance Select's 2013 gross income was indeed only P630 million, its P1.7 million tax assessment by the city is less than one percent of revenues.

More accurately, the assessment was only 26 percent of one percent, he said.

"The business tax paid by the tuna firm to the city government in the amount of P1.7 million is less than one percent of its declared P630 million gross revenues," Lacap said.

60 foreign brands opening franchises here

By **BERNIE CAHILES-MAGKILAT**

Some 60 new foreign franchises on top of several new home-grown franchises are opening up master franchises in the Philippines and the ASEAN region.

Samie Lim, acknowledged father of Philippine franchising and chairman emeritus of the Philippine Franchising Association, said these new foreign franchise concepts are attending the Franchise Asia Philippines, Asia's biggest four-in-one event on July 16-20.

Lim said these new franchises include 12 from the US, 10 from Malaysia, 9 Korean, 8 Indonesians, 2 British while the rest will come from Taiwan and Hong Kong. There are also some inquiries from other EU countries.

"These firms are into food, retail and services looking for master franchises not just in the Philippines but also in ASEAN," Lim said noting that the country's franchise show is now one of the top three best franchise shows globally if not the first.

These foreign franchises include



SAMIE LIM

Alpha Mart, Indonesia's largest convenience store chain, in partnership with Henry Sy's SM; La Cabrera, an Argentinian restaurant specializing in beef dishes; Triple O in partnership with Goldilocks, and Japan's convenience store Lawson of Japan.

Local homegrown franchises are also expected to enter the scene particularly those from the regions including boxing idol and Sarangani congressman Manny Pacquiao for his gym franchise, Dumaguete's Sans Rival, Mr Potato, among others.

Alan Escalona, overall chairman of the FAPHL 2014, said these franchises are attracted by the 600 million population in ASEAN, which is going to attain full economic integration by end December this year.

This year's Franchise Asia also focuses on ASEAN Economic Community to prepare local companies,

particularly the small and medium enterprises to compete with their neighbors.

Richard Sanz, FAPHL 2014 International Franchise Expo Committee chair, said there will be new concepts in this year's expo like the Food Street, Petro Pavilion and the expanded international hall for foreign franchises.

There will be 500 booths and 287 brands of which 46 are into food concepts, 12 percent are non-food, 19 percent suppliers and allied services and 20 percent international participants.

AboitizLand increases capex budget to ₱5.4B

AboitizLand, the property development arm of Aboitiz Equity Ventures, has increased its capital expenditure budget by 35 percent to ₱5.4 billion in 2014 compared to last year as it sets its sight on expanding nationwide.

"We remain bullish on the property sector and want to enter the market nationally," said AboitizLand president Andoni Aboitiz in a statement.

More than half of its capital expenditure budget is allocated for residential development, while the rest will go to industrial and commercial projects.

Apart from its existing land bank in Cebu, it is now looking at gaining a foothold in Mindanao through residential and industrial developments in Davao City.

In Luzon, after its initial entry through the acquisition of Lima Technology Center in Batangas, it is now looking at venturing into residential and commercial developments in Mega Manila in the medium term.

"Our vision is not just to build, but to establish thriving communities where we are located," said Aboitiz.

On top of these, the land developer disclosed that infrastructure development is also increasingly becoming part of its portfolio as it looks at more PPP projects. "We are looking at more airport and toll road projects," added Aboitiz.

AboitizLand currently has eight on going residential projects in Cebu, comprised of both vertical and horizontal developments and has recently opened Phase two of its Pristina North Residences in its integrated community Pristina North.

Through a joint venture with Ayala Land, it is also developing a new business district on a 15-hectare lot in Mandaue City, which will be launched in 2015.

It recently expanded its Lima Technology Center to 486 hectares in Batangas, through the acquisition of another 153 hectares to take advantage of the growing demand for more industrial space in Luzon.

AboitizLand reported a 181 percent

increase in its bottomline in the first quarter to ₱121.1 million from ₱43.1 million in the same period last year. The growth was mainly due to the 100 percent consolidation of LiMA Land, Inc. (JAL)

Stocks up slightly; Ayala firms climb

STOCKS rose slightly Wednesday on prospects of higher corporate earnings in the second quarter and Wall Street's record close overnight.

The Philippine Stock Exchange index gained 23.99 points, or 0.4 percent, to 6,850.60 on a value turnover of P7 billion. Gainers edged losers, 95 to 93, with 40 issues unchanged.

Conglomerate Ayala Corp. climbed 1.5 percent to P654.50, but unit Ayala Land Inc. fell 1.3 percent to P30.20. Lending unit Bank of the Philippine Islands advanced 1.8 percent to P93.50.

Globe Telecom Inc., another Ayala unit and the second biggest telecommunications company, rose 1.5 percent to P1,650.

Metropolitan Bank and Trust Co., the second-largest lender, added 0.9 percent to P88.30.

Nickel Asia Corp., the largest nickel producer, dropped 1.8 percent to P32.60.

The rest of Asian markets advanced Wednesday, taking a strong lead from a record close on Wall Street, while a weaker yen helped Tokyo add to the previous day's healthy gains.

The dollar sat at more than five-and-a-half-year lows against the pound after a strong set of manufacturing figures out of Britain.

Investors are also eyeing the release later in the week of closely watched US jobs figures that will provide fresh clues about the strength of the recovery in the world's number one economy.

Tokyo rose 0.29 percent, or 43.77 points, to 15,369.97, Sydney added 1.48 percent, or 79.5 points, to 5,455.4 and Seoul put on 0.81 percent, or 16.28 points, to close at 2,015.28.

Shanghai ended 0.44 percent, or 9.04 points, higher at 2,059.42 while in the afternoon, Hong Kong advanced 1.22 percent.

US shares jumped in response to news out of China that a survey of manufacturing activity in June hit its highest level this year, suggesting a growth slowdown may have bottomed out. Traders were also boosted by surprisingly strong figures for US auto sales.

The Dow climbed 0.77 percent Tuesday and the S&P 500 added 0.67 percent—both ending at all-time highs. The Nasdaq surged 1.14 percent.

With AFP

PH shares recover, market struggles to find leads

PHILIPPINE shares on Wednesday continued to recover from Tuesday's one-day correction, but investors are still struggling to find leads that could possibly temper whatever effect the June inflation data to be released this week will have on the local market.

The Philippine Stock Exchange index (PSEi) closed up 23.99 points, or 0.35 percent higher at 6,850.60, while the wider all shares added 8.00 points, or 0.19 percent to finish the Wednesday session at 4,104.49.

Accord Capital Equities Corp. analyst Justino Calaycay said the market only posted thin gains in slow mid-week trade as investors

wait for more definitive signals.

"Trading stayed slack throughout the day as investors groped for leads. Optimism crept back cautiously, however keeping the index in the green," Calaycay said.

"Investors may also be holding back ahead of the June inflation report due out this week," he added.

Most of the sectoral indices also capped the session in the green, except for the property counter, which shed 12.79 points, or 0.49 percent to 2,589.35.

Financials had the day's largest gain, adding 12.06 points, or 0.74 percent to end at 1,646.09, followed by holding

firms, which rose by 26.09 points, or 0.42 percent to 6,237.67. Services improved by 7.08 points, or 0.35 percent to 2,051.69, and mining and oil was up by 26.13 points, or 0.16 percent to 16,514.89. Industrials added 16.77 points, or 0.16 percent to close at 10,352.78.

3.2 billion shares with a total value of P7.02 billion changed hands on Wednesday, with advancers just edging out decliners 95 to 93, while 40 issues were unchanged.

Some of the most actively traded stocks were Philippine Long Distance Telephone Co., down 0.20 percent to P2,978.00; Ayala Land, Inc., down 1.31 percent to P30.20, Ayala Corp., up 1.47

percent to P654.50, BDO Unibank, Inc., up 1.47 percent to P93.00, and Alliance Global Group, Inc., up 0.51 percent to P29.35.

With not much significant movement on any specific blue chip stocks, Calaycay said "prices stayed on a narrow range."

While managing to stay above the 6,800-level, Philippine shares closed down on Tuesday as profit-taking occurred.

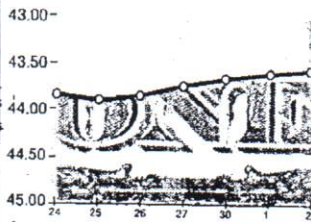
The main index was down by 17.70 points, or 0.26 percent to close at 6,826.61, while the wider all shares shed 9.79 points, or 0.24 percent to 4,096.49.

MADELAINE B. MIRAFLORES

PESO-DOLLAR RATE

July 2, 2014

43.585



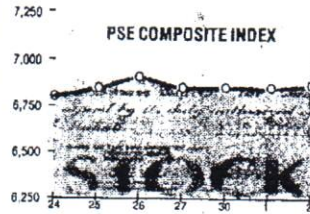
JUNE

JULY

STOCK MARKET

July 2, 2014

23.99



(See stock market report on Page B2)

PSEi rises slightly

THE LOCAL stock barometer got a boost yesterday from upbeat factory data out of the world's two largest economies.

The main-share Philippine Stock Exchange index (PSEi) added 23.99 points or 0.35 percent to close at 6,850.60, tracking the upswing in most regional markets due to upbeat manufacturing data from the United States and China for June.

Value turnover for the day amounted to P7.03 billion. There were 95 advancers, which slightly edged out 93 decliners, while 40 stocks were unchanged.

On the property counter slipped for the day ahead of the release of the country's June inflation rate.

A Reuters survey showed that the Philippine inflation likely rose to P4.6 percent year-on-year in June from 4.5 percent in May. The government's target is a range of 3-5 percent for the year.

Given that inflation is on the rise, there are expectations that the Bangko Sentral ng Pilipinas might start raising its overnight policy rates this quarter. However, Joseph Roxas, president of local stock

brokerage Eagle Equities, said raising interest rates might only drive inflation higher because the increase in inflation was due to cost-push pressures.

The PSEi's gains were led by Ayala Corp., Bank of the Philippine Islands and Globe Telecom, which all gained more than 1 percent, while Alliance Global Group Inc., Metrobank, SM Investments Corp., Universal Robina Corp., Megaworld, SM Prime, Jollibee and GT Capital also contributed to the upswing.

On the other hand, the local barometer's gains were tempered by the decline of Ayala Land Inc., DMCI and Bloomberry, which all lost over 1 percent of their stock value while shares of PLDT also fell.

Outside of the main index, Travellers and Nickel Asia fell by over 1 percent. Based on recent reports, the Bureau of Internal Revenues did not appear to be too happy with the compromise between gaming firms and the state-owned Philippine Amusement and Gaming Corp. on the reduction in license fees. As such, gaming firms like Travellers

PSEI/B2

PSEi rises slightly

From page B1

and Bloomberry dipped. Foreign investors also helped lift the local market. Total foreign buying for the

day amounted to P4.11 billion while total foreign selling reached P3.71. *Doris C. Dumlaog*

Greenergy sells RE stake to Euro firm

By Riza T. Olchondra

LISTED firm Greenergy Holdings Inc. unloaded its majority stake in a joint venture renewable energy firm to raise funds for future acquisitions.

In a disclosure to the Philippine Stock Exchange, Greenergy said it formalized the sale of its 60-percent equity interest—equivalent to 600 million common shares—in Biomass Holdings Inc. (BHI), a joint venture company of Greenergy and Europe's ThomasLloyd Cleantech Infrastructure Fund GmbH (CTF).

The total purchase price for the 60-percent stake is P400,522,380 and it will be paid in cash, Greenergy said.

Greenergy said it executed a deed of absolute sale covering its 300 million fully paid common shares in BHI for P300 million.

The Filipino company also signed a deed of assignment of subscription covering 300 million partially paid common shares in BHI worth P100.52 million.

"CTF shall assume payment of the balance of the subscription to BHI," Greenergy said.

It was in March that Greenergy first said it had agreed to sell its 60-percent stake in BHI to the European firm.

BHI holds a 64-percent stake in San Carlos Biopower Inc., which is undertaking the \$85-million, 19.99-megawatt San Carlos BioPower project in the San Carlos Agro-Industrial Economic Zone on the eastern coast of Negros Occidental.

The ThomasLloyd Group's four biomass projects in the Philippines are the \$85-million 19.99-megawatt San Carlos BioPower project, \$114-million 25-megawatt South Negros BioPower project, \$130-million 29.99-megawatt Central Tarlac BioPower project, and the \$114 million 24.99-megawatt North Negros Biopower project which is up for financial closing.

T.U. Michael Sieg, ThomasLloyd Group's chair and CEO, said the group's investments were all committed through the ThomasLloyd Cleantech Infrastructure Fund.

The ThomasLloyd Group first invested in San Carlos BioPower, which began construction in April 2013 and is expected to deliver 140 million kilowatt-hours to the Visayas grid by early 2015. The Visayas grid's power supply is wearing thin, and Negros Occidental is presently sourcing 80 percent of its energy requirement from different power plants in Cebu province.

Aboitiz unit raises capital outlay by 35% to P5.4B

By Doris C. Dumlao

THE PROPERTY unit of the Aboitiz group has mapped out a nationwide expansion program and will increase its capital expenditure program for this year.

AboitizLand, a unit of Aboitiz Equity Ventures, said in a statement yesterday that it increased its 2014 budget for capital outlays by 35 percent year-on-year to P5.4 billion to enable it to pursue its nationwide expansion.

"We remain bullish on the property sector and want to enter the market nationally," said Andoni Aboitiz, AboitizLand president and chief executive officer.

More than 50 percent of the budget has been earmarked for residential development, while the rest will go to industrial and commercial projects.

Apart from its existing land bank in Cebu, Aboitizland is now looking at Mindanao, particularly, residential and industrial developments in Davao City.

In Luzon, after its acquisition of Lima Technology Center in Batangas, AboitizLand now plans to venture into residential and commercial developments in Mega Manila.

"Our vision is not just to build, but to establish thriving communities where we are located" said Aboitiz.

On top of these, the property developer disclosed that it would also like to consider infrastructure projects under the public-private partnership framework.

"We are looking at more airport and toll road projects," added Aboitiz.

In Cebu, AboitizLand has eight residential projects in the pipeline.

It comprises both vertical and horizontal developments and has recently opened phase two of its Pristina North Residences in its integrated community Pristina North.

Through a joint venture with Ayala Land, Aboitizland is also developing a new business district on a 15-hectare lot in Mandaue City, which will be launched in 2015.

As to its industrial estate development, Aboitizland recently expanded its Lima Technology Center to 486 hectares in Batangas, through the acquisition of another 153 hectares, taking advantage of the growing demand for more industrial space in Luzon.

AboitizLand reported a 181-percent year-on-year increase in its bottom line in the first quarter to P121.1 million, mainly due to the 100-percent consolidation of LiMA Land Inc.

Thursday, July 3, 2014

Pagcor says it settled unpaid cash dividends

The Philippine Amusement and Gaming Corporation (Pagcor) said that it has already settled almost half of the unpaid cash dividends the state-run firm incurred during the previous administration.

The gaming operator and regulator also assured that the remaining balance of Pagcor's arrears will be paid by next year.

According to Pagcor, it was only last February 17, 2014 when the Department of Finance (DOF) informed the board that the company has to remit ₱5.9 billion in unpaid cash dividends since 2005.

"We immediately reconciled the figures and informed DOF that based on our own computation, Pagcor only owes the national treasury ₱5.14 billion and this amount pertains to the unremitted cash dividends of the previous Pagcor administration," the company said.

Pagcor said it already settled ₱2.44 billion or almost half of these arrears, and assured that they will pay the remaining balance of ₱2.71 billion by next year.

Apart from the cash dividends, Pagcor said it also settled ₱856.98 million in back taxes incurred by the previous administration from 2004 to June 2010.

On this account, Pagcor also denied that it mismanaged its finances and favored four private casino companies in their tax obligations with the Bureau of Internal Revenue (BIR).

Pagcor defended its current board against the accusations of Bayan Muna Partly-list Representative Neri Colme-

nares that Pagcor's finances are being abused by its executives.

Colmenaras accused Pagcor of using public funds to settle the income taxes of four proponents of the Entertainment City.

"Pagcor has been a responsible corporate citizen under its incumbent management," the state-owned firm said in response to Colmenaras' accusations and his plan to block the reappointment of its current board, particularly Pagcor Chairman and Chief Executive Officer Cristino L. Naguiat Jr.

Comenares wants to stop Naguiat's reappointment because of the latter's questionable decisions and work at Pagcor.

"It is only under the state-owned gaming firm's present administration that Pagcor has actually started remitting cash dividends to the national treasury and began paying corporate income tax and fringe benefits tax to the BIR," Pagcor said.

Meanwhile, Pagcor said that the board's decision to shoulder the income tax obligations of the four privately owned casinos in the Entertainment City is in compliance with the agreement that the previous administration entered into with the four proponents.

"The licenses require the proponents to pay to Pagcor license fees of 15 percent to 25 percent of gross gaming revenues. These license fees include 5 percent franchise tax payable to the BIR. The licenses state that these license fees are in lieu of all taxes," Pagcor said. (CSL)

Foreign funds flow back to PH

By Julito G. Rada

BANGKO Sentral Governor Amando Tetangco Jr. said foreign funds are beginning to flow back to emerging markets with strong economic fundamentals such as the Philippines.

“Now, I think we can say that flows have come back again. We see net inflows in the economy again. And precisely this is part of the global observation

that low volatility is causing these capitals to flow back to emerging markets,” Tetangco said at the sidelines of a Rural Bankers Association of the

Philippines’ event in Manila Tuesday evening.

Tetangco said capital flows returned to the Philippines because there were less macro-economic uncertainties in the country.

“That is the view. And projections of growth are positive and this is shared by global investors, generally,” Tetangco said.

Tetangco said the current low volatility in global financial markets was one of the topics discussed during the recent meeting of central bank

governors in Basel, Switzerland.

“I attended this governors’ meeting in Basel over the weekend and one of the important topics discussed was the low volatility in financial markets, globally. And some have assessed this as something that probably not totally consistent with what really is the underlying condition in the financial system. So there are risks and central banks have to be watchful,” Tetangco told reporters.

He said the advice of some Basel meeting participants was

that “central banks should start raising interest rates.”

Tetangco said in the case of the Philippines, there was sustained economic growth although at a slower pace in the first quarter. He said local financial markets remained generally calm.

He said while there were outflows in the early part of the year in reaction to the “taper tantrum,” that served as correction in the financial markets.

“Central banks need to be

watchful for any shift in investor sentiment that can change the current calm state of financial markets. In the Philippines, we will continue to monitor and be ready to act as may be needed to deal with a change in sentiment,” he said.

Tetangco said the possible adjustment in policy rates in the Philippines would be more effective in the future especially after the central bank implemented measures aimed at reducing the level of liquidity.

BSP sees rural banks stable despite foreign capital entry

THE central bank remains optimistic about the stability and growth of the country's rural banking sector despite the difficulties that may arise from stiffer competition spurred by increasing foreign equity in rural banks.

Bangko Sentral ng Pilipinas (BSP) Governor Amando Tetangco Jr. said the central bank sees new opportunities, as well as challenges, emerging from the ongoing changes to the environment in which rural banks operate.

During his speech at the induction of the new officers of Rural Banking Association of the Philippines (RBAP) on Tuesday, the BSP governor said rural banks face increasingly stiffer competition coming from both smaller and bigger players, as

well as cooperatives and non-government organizations operating in the countryside.

Furthermore, Tetangco said that the passage of legislation allowing the infusion of foreign equity in rural banks is also bound to be a game changer for the industry.

The BSP governor was referring to Republic Act (RA) 10574 or the Foreign Equity Law, which allows the entry of foreign equity into the country's rural banking system. A non-Filipino can now own up to 60 percent of the voting stock of a domestic rural bank.

"As such, these entities may acquire portions of your markets, not only from frontier areas but possibly even those that you have nurtured full time. We also see the increasing presence of larger fi-

nancial institutions in various municipalities, while larger banks may have their own reasons for expanding their branching footprint. Rural banks now face more competition," he said.

Nevertheless, Tetangco reassured rural banks that size is not the only determinant in facing competition, but that a rural bank's expertise in a particular area will be its advantage.

"You may not be the biggest in your areas but you certainly know the countryside better than anyone. With this, your expertise and knowledge will translate into a premium of efficiency—a definite advantage over your competitors," he said.

Jose Misael Moraleda, the newly elected president of RBAP, said in his speech before his co-

members said that stiffer competition is inevitable, especially for a country like the Philippines that has caught the eye of foreign investors for its growing economic prowess.

"My fellow rural bankers, let us strive to make our story not that about sheer survival, but about stability and secured existence," he said.

Moraleda said the realization of this goal rests on two pillars, the industry's ability to strengthen its core business, and its willingness to absorb and adjust to external developments.

"Indeed, all of these will be costly. But the short pain now will eventually pay off, when you see your bank standing in the light of triumph and resilience," Moraleda said.

MAYVELIN U. CARABALLO

Ayala budgets P14B for 4 PPP projects

BY MYLA IGLESIAS

AYALA Corp. will spend P14 billion in equity investments for the four major Public Private Partnership (PPP) projects it won over the last three years.

Ayala in partnership with other companies won four of the nine PPP project that were auctioned off under the Aquino administration.

The four which have a total project cost of P104 billion include the P2-billion Daang-Hari South expressway link road; the P1.72-billion Automatic Fare Collection system (AFCS); the P65 billion LRT 1 extension to Cavite and the P35.4-billion Cavite-Laguna Expressway.

Two have yet to be awarded to the company. Noel Eli B. Kintanar, AC Infrastructure Holding Corp. executive vice president, told reporters that the company is not a majority owner in all of

the projects so that the committed equity for the projects could reach anywhere from \$200 million to \$300 million or P13 billion to P.14 billion.

AC Infrastructures owns 50 percent of Calax; 35 percent of LRT 1 and 10 percent of AFCS. It has 100 percent ownership of the Daang Hari project which only costs P2 billion.

"Altogether it's around P13 billion to P14 billion in equity. The premium payment is intact to the whole project cost, that includes the constructions operating and maintenance cost over time," Kintanar said.

The investment would be spent over the next five years or until 2019.

"We're confident that we would cover the financing in the next five years," Kintanar said.

The company is looking at bidding for other PPP projects.

"We will definitely look at the projects that are

in the hands of the government. We have a strategic partnership with Metro Pacific Investment Corp. to pursue LRT 2. If there's an opportunity (for MRT 3) we will pursue it," he said.

Kintanar said Ayala is also looking at the Laguna Lakeshore expressway "as long as the rules are clear."

Ayala and partners MPIC and Aboitiz Corp for LRT 1 and Cavite-Laguna expressway (Calax), respectively, are waiting for the government to issue the notices of award.

Government is expected to award the LRT 1 project in the next two weeks as it is still negotiating with the sole bidder to increase its over P9 billion premium bid for the rail project in compliance with the Build-Operate-Transfer (BOT) law.

Kintanar said the MPIC consortium has no plan to increase its bid because it believes it submitted a fair price and right price for the project.

Kintanar said the company is expected to take over the operation of the existing LRT 1 in 9 to 12 months after the project is awarded. The whole project would be completed by 2018 depending on the ability of government to deliver the right-of-way (ROW).

For Calax, the biggest tollroad project it recently won, Ayala is hoping government would abide by the bidding rules and award the project to the highest bidder. Government has yet to announce the schedule for the awarding of the project pending the resolution of the issues raised by disqualified bidder San Miguel Corp.

For the Daang Hari expressway, the company has completed 45 percent of the project.

Kintanar said Ayala hopes government would deliver the full ROW to fasttrack the completion of the project.

CBs look out for shifts in sentiment

BY JIMMY CALAPATI

CENTRAL banks around the world need to watch out for any shift in investor sentiment that can change the current calm state of financial markets, according to Bangko Sentral ng Pilipinas Governor Amando Tetangco.

Tetangco was reacting to the statement issued by the Bank for International Settlements (BIS) which said in its Annual Report that "the global economy has shown encouraging signs over the past year but it has not shaken off its post-crisis malaise."

Also dubbed as the central bank of all central banks, BIS said "a new policy compass is needed to help the global economy step out of the shadow of the Great Financial Crisis."

Tetangco, who attended the governors' meeting over the weekend in BIS headquarters in Basel, Switzerland, said CBS stressed there is no volatility in financial markets, globally.

"Some have assessed this as something that is probably not totally consistent with what is really the underlying condition of the financial system. But there are risks that are out there and CBS would have to be watchful of these," Tetangco said.

Among the underlying issues include the impact of the developments in the real sector, the need to improve and establish a more enduring growth trajectory in the real economies and the monetary policy stance of advanced economies.

This assessment, according to Tetangco, has to be processed in the context of the central banks' own situation and be part of overall surveillance of developments that can impact our markets.

"In the Philippines, we will continue to monitor and be ready to act as may be needed to deal with a change in sentiment," Tetangco said.

In our case, Tetangco said there's been sustained economic growth, although at a slower pace, in the first quarter, the financial markets have remained generally calm, there was some outflows in the early part of the year in reaction to the taper tantrum.

"That basically served as a correction in the different financial markets, equity, bond markets. I think flows have come back again. We are seeing net inflows into the economy again," Tetangco said.

"This is part of the global observation that (There is) no volatility in emerging markets... one reason is that there is less macroeconomic uncertainty, that's the view. And projections of growth are positive. And this is shared by global

investors, generally," he added.

In its main economic review for the year, the BIS calls for adjustments to the current policy mix, and to policy frameworks with the aim of restoring sustainable and balanced economic growth.

The BIS points out that the global economy has shown encouraging signs over the past year but it has not shaken off its post-crisis malaise.

"Despite an aggressive and broad-based search for yield, with volatility and credit spreads sinking towards historical lows, and unusually accommodative monetary conditions, investment remains weak. Debt, both private and public, continues to rise while productivity growth has further extended its long-term downward trend. There is even talk of secular stagnation," BIS said.

To return to sustainable and balanced growth, BIS said policies need to go beyond their traditional focus on the business cycle and take a longer-term perspective - one in which the financial cycle takes center stage.

"(Central banks) need to address head-on the structural deficiencies and resource misallocations masked by strong financial booms and revealed only in the subsequent busts. The only source of lasting prosperity is a stronger supply side. It is essential to move away from debt as the main engine of growth," BIS said.

"The upturn in the global economy is a precious window of opportunity that should not be wasted," the report said.

The BIS notes that in crisis-hit countries, there is a need to put more emphasis on balance sheet repair and structural reforms and relatively less on monetary and fiscal stimulus.

In economies that escaped the worst effects of the financial crisis and have been growing on the back of strong financial booms, there is a need to put more emphasis on curbing those booms and building strength to cope with a possible bust.

Warranting special attention are new sources of financial risks, linked to the rapid growth of capital markets. In these economies also, structural reforms are too important to be put on the back burner.

"In no small measure," the report says, "the causes of the post-crisis malaise are those of the crisis itself - they lie in a collective failure to get to grips with the financial cycle."

BIS stressed addressing this failure calls for adjustments to policy frameworks - fiscal, monetary and prudential - to ensure that policies lean more deliberately and persistently against financial booms and ease less aggressively and persistently during busts.

Thai stocks rally; PH steady

THE Thai index rose to its highest in almost a year on Wednesday, as banking stocks scaled new highs on optimism about the domestic economy, while Indonesian shares were rangebound amid a weaker rupiah and foreign selling in large caps.

The Philippine Stock Exchange index (PSEi) was up 23.99 points to 6,850.60, a 0.35 percent hike.

The broader all shares index was up 8 points to 4,104.49, a 0.20 percent hike. Gainers edged losers '95, to 93 with 40 stocks unchanged. Trading turnover reached P7.03 billion.

Philippine Long Distance Telephone Co. was down P6 to P2,978. Ayala Land, Inc. was down P0.40 to P30.20. Ayala Corp. was up P9.50 to P654.50.

BDO Unibank, Inc. was steady at P93. Alliance Global Group, Inc. was up P0.15 to P29.35. Bank of the Philippine Islands was up P1.70 to P93.50.

Metropolitan Bank and Trust Co. was up P0.80 to P88.30. SM Investments Corp. was up P4.50 to

P809. Travellers International Hotel Group, Inc. was down P0.16 to P8.74.

Investors looked forward to better business conditions and an improved loan growth outlook for Thai banks after the central bank this week signaled the economy would avoid recession this quarter and said it expected a strong recovery next year.

Large cap banks' shares were among the top 30 by turnover. Siam Commercial Bank SCB.BK touched a nine-month high and Kasikornbank climbed to a 13-month peak in active buying.

Shares of the state-run Krung Thai Bank rose to an eight-month high. The bank told analysts in a meeting that it expected a more encouraging outlook for loan demand and credit quality from the second half onwards, CIMB said in note dated June 30.

"We share the same view and believe that KTB is more ready than ever to exploit the positive economic momentum," the broker said.

Bangkok's key SET index was up 0.3 percent at 1,489.63 at midday, after earlier rising to 1,494.54, its highest since July 25.

Jakarta's composite index was nearly flat, with shares of Bank Mandiri and Semen Indonesia among the losers, while stock exchange data showed foreign investors were net sellers in stocks.

The rupiah fell on fresh concerns over the country's current account deficit and uncertainty over the presidential election next week.

Singapore's property shares, including Hongkong Land Holdings Ltd, rebounded after a fall on Tuesday due to weak industry data. The benchmark Straits Times Index gained 0.5 percent, coming off a near two-month low hit in the previous session.

Stocks in Malaysia, the Philippines and Vietnam were slightly higher while Asian stocks rose to a three-year peak after a round of upbeat global economic data whetted risk appetites and helped Wall Street taste all-time highs.

RFM expects P950M profits

RFM Corp. expects profit for this year to hit P950 million, 20 percent higher than last year's P786 million.

Jose Concepcion III, RFM president, said this is on the back of an expected 18 percent growth in revenues to P12 billion from last year's P10.24 billion.

About a third of the company's business comes from flour milling, another third from dairy, and another third for its other product lines, said Ramon Lopez, RFM vice president.

The company is spending P525 million as capital expenditures for the year with a little over a third of the amount, at P175 million to fund the expansion of its pasta line after its acquisition of Unilever Philippines' Royal Spaghetti brand, the second largest spaghetti brand in the Philippines. RFM's Fiesta brand is the market leader.

The acquisition gave RFM about 40 percent share of the spaghetti market in the Philippines.

Asia shares score three-year high

SYDNEY - Asian stocks scored a three-year peak on Wednesday after a round of upbeat global economic data whetted risk appetites and helped Wall Street taste all-time highs.

Dealers said fund managers were rotating money out of bonds and into equities for the start of the second half of the year, nudging up U.S. Treasury yields.

At the same time, the outlook for super-low rates in the major economies and an almost eerie absence of volatility across markets, encouraged investors to take on leveraged bets in search of higher returns - the so-called carry trade.

"Global equity and credit markets are feeling the tailwind of firmer activity data in the world's largest economies, with the exception of the euro area," analysts at Barclays wrote in a client note.

"Our global manufacturing confidence recovered from the declines in Q1, and aggregate forward-looking components suggest the improvement should last well into the second half."

MSCI's broadest index of Asia-Pacific shares outside Japan gained 0.9 percent to 498.09, territory not visited since May 2011. Japan's Nikkei added 0.5 percent and notched up its loftiest level in more than five months.

The Dow and S&P 500 had both scored record closing highs on Tuesday, as did the MSCI world equity index. The Dow gained 0.77 percent and the S&P 500 0.67 percent, while the Nasdaq put on 1.14 percent.

Top European shares ended up 0.85 percent, despite some disappointing manufacturing data from the region.

The economic news elsewhere was mostly bright with measures of manufacturing in China, Japan, the UK and United States all pointing to a pick-up in production.

In an encouraging sign for consumer demand, U.S. auto sales almost reached 17 million annualised in June, way above forecasts and the strongest since 2006.

STERLING ON THE RISE

With money switching to riskier assets, bond prices gave up some of their recent gains. Yields on 10-year U.S. Treasuries ticked up to 2.57 percent, leaving behind last week's lows near 2.50 percent.

Losses should be limited, however, given expectations the Federal Reserve will keep rates near zero well into next year.

Later on Wednesday, Fed chair Janet Yellen will appear at an event with International Monetary Fund Director Christine Lagarde and dealers generally assume she will stick to her recent dovish script.

In currencies, sterling was up at \$1.7149 after bullish UK data sent it as far as \$1.7167 on Tuesday, its highest since October 2008.

Not far behind was South Korea's won, which hit its highest in six years at 1,009.3 per dollar. The rise prompted the authorities to warn the market against taking it too far, usually a prelude to intervention.

- Reuters

AEC 2015 makes it imperative for local brands to be globally competitive—PFA

BY CATHERINE N. PILLAS

THE Philippine Franchisers Association (PFA) has embarked on a bid to make homegrown brands globally competitive, a pivotal move in view of the influx of foreign brands in view of the Association of Southeast Nations economic integration in 2015. The PFA is also appealing to the government for support to strengthen small and medium enterprises (SMEs) in the franchising industry.

"Because of the AEC [Asean Economic Community], a lot of foreign establishments are coming in with thousands of units all over the world, and our small mom-and-pop stores think they can compete; that's not going to happen if we're not globally competitive," said Samie Lim, chairman emeritus of PFA and chairman of Blims Lifestyle Group Inc., at a news conference for the 2014 PFA's Franchise Asia Philippines (FAPHL 2014).



LIM: "We hope the government can help us on this point, because the Filipino SMEs are a vanishing breed, especially with foreign interest in the Philippines growing."

The FAPHL 2014, a four-in-one franchise event to be held at the SMX Convention Center from July 16 to 20, will center specifically on this issue, wherein local franchising sector, mostly SMEs, can learn on branding, pricing and the best practices of the industry to become globally competitive.

"We hope the government can help us on this point, because the Filipino SMEs are a vanishing

breed, especially with foreign interest in the Philippines growing," Lim added.

He noted that franchising has been promoted for the past 20 years so that interested foreign brands can come in and tap master franchisors in the Philippines and share in the growth with the foreign investors.

According to Richard Sanz, FAPHL 2014 International Franchise Expo Committee chairman, the micro, small and medium enterprises (MSMEs) in the country comprise 99.6 percent of all the businesses in the Philippines and provide for 61 percent of total employment.

Sanz added microenterprises take up as much as 30 percent of the MSME businesses.

Further, Lim said that the services sector accounts for 66 percent of the gross domestic product (GDP), with the trade sector accounting 27 percent of the services contribution. In the trade sector, 79 percent

is in franchising, thus making the retail and franchising sector the biggest contributor to the GDP in terms of services.

Sanz said that for the government, there are three areas wherein support can be directed: access to markets; training for branding and efficiency; and access to financing.

The FAPHL 2014, themed "Conquering an Integrated Asean," is composed of the International Franchise Conference with several breakout sessions for different needs of franchisors and a plenary session with experts to talk on growth strategies and global marketing, and the International Franchise Expo, which will run from July 18 to 20, after the conference, which is scheduled on July 16 and 17.

The franchise expo component, said Sanz, will feature 500 booths, a 5-percent increase from the year before, and 287 local and foreign brands.



Atty. Filamer D. Miguel

TAX LAW FOR BUSINESS

ARE nonstock mutual life-insurance cooperatives exempt from documentary-stamp tax (DST)? This issue has been put to rest in the recent case of *Commissioner of Internal Revenue v. The Insular Life Assurance Co. Ltd.*, GR 197192, June 4, 2014.

Nonstock mutual life-insurance cooperatives exempt from DST

In this case, the respondent is registered as a nonstock mutual life insurer with the Securities and Exchange Commission, which received an Assessment Notice with Formal Letter of Demand assessing the respondent for deficiency DST on its premiums on direct business/sums assured for calendar year 2002.

The respondent's protest was elevated to the Court of Tax Appeals and, eventually, to the Supreme Court (SC), arguing that, since it is a cooperative, it should be exempt from DST under Section 199 of the National Internal Revenue Code (NIRC). On the other hand, the petitioner contended that since the respondent is not registered with the Cooperative Development Authority (CDA), it should not be considered as a cooperative that is entitled to the exemption.

The SC ruled in favor of the respondent. There are three justifications on why registration with the CDA is not necessary for cooperatives to claim exemption from DST. First, the NIRC does not require registration with the CDA. There is no specific tax provision that explicitly requires a mutual life-insurance company to register with that agency in order to enjoy exemption from both percentage and DST.

Although a provision of Section 8 of Revenue Memorandum Circular (RMC) 48-91 requires the submission of the certificate of registration with the CDA before the issuance of a tax-exemption certificate, that provision cannot prevail over the clear absence of an equivalent requirement under the Tax Code.

Section 199 of the NIRC enumerates examples of cooperatives that are expressly mandated by law to be registered with the CDA before their transactions could be considered as exempted from value-added tax. Clearly, a cooperative, like the respondent, is not one of them.

Second, the provisions of the Cooperative Code of the Philippines do not apply. Cooperatives under the old law, Presidential Decree 175, referred only to an organization composed primarily of small producers and consumers who voluntarily joined to form a business enterprise that they themselves owned, controlled and patronized.

Further, it must be noted that the Bureau of Cooperatives Development, which was under what was called the Department of Local Government and Community Development (later Ministry of Agriculture), had the authority to register, regulate and supervise only the following cooperatives: barrio associations involved in the issuance

of the certificates of land transfer; local or primary cooperatives made up of natural persons and/or barrio associations; federations composed of cooperatives that may or may not perform business activities; and unions of cooperatives that did not perform any business activity. The respondent does not fall under any of those types of cooperatives required to be registered under PD 175. Thus, when the subsequent law—Republic Act 6939, concerning cooperatives—was enacted, the respondent was not covered by the said law and was not required to be registered.

It is significant to note that the distinguishing feature of a cooperative is the mutuality of cooperation among its member-policyholders who are united for that purpose. Hence, so long as the respondent meets this essential feature, it does not even have to use and carry the name of a cooperative to operate its mutual life-insurance business. Assuming, for argument's sake, that registration is mandatory, it cannot deprive the respondent of its tax-exemption privilege merely because it failed to register. The nature of its operations is clear; its purpose, well-defined. Exemption when granted cannot prevail over administrative convenience.

Finally, the Insurance Code does not require registration with the CDA. The provisions of this code primarily govern insurance contracts; only if a particular matter in question is not specifically provided for shall the provisions of the Civil Code on contracts and special laws govern.

The respondent, being a cooperative not mandated by law to be registered with the CDA, cannot be required under RMC 48-91, a mere circular, to be registered prior to availing itself of DST exemption. As such, nonstock mutual life-insurance cooperatives are exempt from DST. Taxpayers in a similar situation must be guided accordingly.

The author is a senior associate of Du-Baladad and Associates Law Offices, a member-firm of the World Tax Services Alliance.

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Markets, sprinkled with fairy dust



Mohamed A. El-Erian

BLOOMBERG VIEW

FINANCIAL markets sure did well in the first half of the year, despite an unexpected share of economic disappointments, policy misses and geopolitical drama. They will need better news in the next six months to sustain that performance, and if they succeed it is unlikely that they will repeat those same, broad-based gains.

At the start of the year, few expected the US economy to shrink by a stunning 2.9 percent in the first quarter, Russia to annex Crimea, and Iraq to fall victim to a sectarian insurgency—all of which served to amplify the challenges facing already-weak economies.

More predictable was the series of policy slips, such as disappointing progress on Japan's "third arrow" reforms and a persistently unbalanced macroeconomic stance elsewhere that relied excessively and for too long on monetary tools alone.

Yet, you would be hard-pressed

to point to many markets that suffered any meaningful consequences. Rather than sell off, global equities have gained, as have corporate bonds, commodities and emerging-markets securities.

Historically, such broad-based gains would suggest that the global economy is improving. Not this time. Instead, analysts spent much of the first half not only lowering their growth estimates for 2014, but scaling back their assessment of even longer-term growth for a number of countries—including the US.

The answer to this puzzle is found

in yet another asset class that did well in the first half—government bonds, including those issued by Germany and the US, the benchmark risk-free assets. The fact that government bonds rallied in the first half of the year speaks to the continued influence that central-bank policy wields in financial markets.

Motivated both by long-standing concerns about sluggish growth and newer worries about price deflation, the European Central Bank joined others in committing to a more stimulative monetary policy over a longer period of time. In addition to loosening credit and monetary conditions, this put to rest the notion that the US Federal Reserve's gradual exit from quantitative easing (its large balance-sheet expansion program) signaled the immediate end of central-bank support for markets.

Instead, central banks effectively signaled a willingness to prolong their multiyear quest to boost asset prices and suppress market volatility, amplifying the effects of lower structural growth and weaker inflationary forces. No wonder the private sector is also

keeping the party going by loosening credit—illustrated by declining lending standards, eroding bond covenants, surging mergers and acquisitions activities and an increasing appetite for debt and leverage.

With central banks continuing to be a large part of the explanation for the wedge between asset prices and the underlying fundamentals, many investors feel that they are in a win-win situation: Either the unconventional policies of central banks will prove successful in achieving economic liftoff or these institutions will have to sign up for even more and longer support of the markets.

As investors continue to bask amid this comforting monetary-policy landscape, they shouldn't be so foolish as to dismiss too quickly last weekend's blunt warnings from the Bank for International Settlements (BIS), commonly known as the central bank of central banks. The BIS described the current environment as worthy of caution, like all "financial booms [that] sprinkle the fairy dust of illusionary riches."

Planbank eyes mid-, mass-market loans to fuel 2014 expansion plan

BY GENIVI FACTAO

NEWLY acquired by the ALC Group of Companies, headed by Ambassador Antonio L. Cabangon Chua, Planbank plans to offer niche loans catering to specific market needs of the middle-income and *masa*, or mass market, to fuel its expansion drive.

Interviewed at the recent opening of the Planbank branch in Santo Tomas, Batangas, the ambassador envisioned the brisk growth of Planbank as the rural banking arm of his business organization. The ALC Group of Companies, named after his initials, acquired ownership equity of the bank in October 2013.

A family-owned bank, Planbank was incorporated in 1952 as the Rural Bank of Canlubang Planters Inc. Over more than 60 years, it grew to be the largest rural bank in Laguna with 11 branches, while two operate in Bulacan. Planbank Santo Tomas, the first branch to open under the ALC

Group, is its 14th branch.

"We intend to further grow the bank. We are even now acquiring assets left and right," Ambassador Cabangon Chua said. Three more branches in Alaminos, Santa Rita and San Pablo City will be opened within the year, for a total of 17 branches.

"The rural bank caters to smaller borrowers," the ambassador said, citing Planbank's product offering of the jewelry loan.

Planbank President Dominga Rufina S. Cabangon Chua said niche loans, such as jewelry loans, are the product offerings that they plan to introduce to push the growth of the bank. "We want to have niche



CABANGON CHUA:
"We intend to further grow the bank. We are even now acquiring assets left and right."

loans. First is the jewelry loan that we introduced a couple of months ago. We're also looking at loan products supporting industries, like organic and sustainable farming. The products specific to organic farming, for instance, will be priced at a premium," Ms. Cabangon Chua said. They are also looking at loans for the franchising industry.

Explaining its thrust to serve small borrowers, Ms. Cabangon Chua said Planbank caters to the banking needs of the middle-income and lower-income (Classes B, C and D) market segments. With a maximum allowable loan of P30 million, the bank also gives loans to *sari-sari* store owners as low as P10,000.

Ms. Cabangon Chua also said Planbank was encouraged to open a branch in Santo Tomas because the successful operation in the municipality of its sister company, the automotive dealership Isuzu

Gencars, is proof that "business is booming in the area."

Total deposits of Planbank, which marks its 62nd year this year, have reached P700 million.

Santo Tomas Vice Mayor Ferdinand Ramos, who cut the ceremonial ribbon at the bank's opening, said Planbank is the 10th bank to open in Santo Tomas.

He said the town has three industrial parks—the First Philippine Industrial Park, with 340 hectares and adding 100 hectares more in the nearby towns; the 120-hectare Light Industry and Science Park, which is also expanding; and the Philtown Park in Barangay Juan.

Pepsi Cola Plant, which poured in \$100 million in investments, started operations on July 1.

They also have the P10-billion MakBan geothermal plant. The construction of the P12.5-billion Calamba-to-Lucena expressway will start next year.

"We're happy to have Planbank as the 10th bank in our town. We assure you that your vault will be filled because of the many businesses being established in Santo Tomas," he said.

"There are other companies that are willing to invest in Santo Tomas," Ramos added.

CA affirms extension and revision of CAP's rehab plan

BY JOEL R. SAN JUAN

THE Court of Appeals (CA) has affirmed the decision issued by the Regional Trial Court (RTC) in Makati City allowing a three-year extension and modification of the rehabilitation plan of cash-strapped preneed firm College Assurance Plan Philippines Inc. (CAP).

In a seven-page decision penned by Associate Justice Amelita Tolentino, the Court's Fourth Division denied the petition for review filed by the Securities and Exchange Commission (SEC) and the Insurance Commission (IC) seeking the nullification of the Makati RTC's approval of CAP's 2012 revised rehabilitation plan.

CAP sought the extension and modification of its rehabilitation plan after a developer expressed interest to redevelop the preneed firm's idle real-estate properties into mixed-use commercial-residential condominium projects.

The appellate court did not give merit to the claim of both the SEC and the IC that the revised rehabilitation plan was incomplete because the name of the developer that showed interest to develop CAP's properties was concealed.

The SEC and the IC also described the revised rehabilitation plan as speculative considering the economic and business climate in the areas where the said properties are located.

The petitioning regulatory bodies noted that some of the properties CAP claimed are in the provinces.

Likewise, the SEC and the IC rejected CAP's revised rehabilitation plan on the ground that some of the properties included in the redevelopment project were owned by CAP Pension, which is a separate business entity altogether.

The IC placed CAP Pension under conservatorship on September 13, 2010.

Still, the CA held that the modification of CAP's rehabilitation plan cannot be set aside due to the failure of the petitioners to show grave abuse on the part of the trial court.

The CA gave credence to the manifestation of court-designated rehabilitation receiver Mamerto Marcelo, who endorsed the extension and modification sought by CAP of its approve rehabilitation plan.

"Having been directly and closely involved in the rehabilitation of CAP

for already quite sometime, the court a quo cannot be faulted if it opted to adopt the recommendation of the rehabilitation receiver," according to the CA.

"Being appointed by the court, and thus considered as an officer of the court, it is only appropriate that the suggestion of the rehabilitation receiver should be given weight and credence by the court," it added.

The CA also stressed that the Makati RTC did not merely rely on

the recommendations of Marcelo but also did its own assessment and evaluation of the contentions of the parties.

It added both the SEC and the IC failed to show evidence that the properties of CAP Pension were enough to affect the projections of the developer with respect to CAP's rehabilitation should the properties be excluded from the project.

"The fact that there are properties owned by CAP Pension which are included in the proposed rede-

velopment project of respondent is not sufficient ground for disapproval of the request for extension or modification of the rehabilitation plan, which is for the benefit of the plan holders," the court said.

The Supreme Court in 2009 the of CAP Pension plan holders' contracts and of their money.

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