SEC News Service

SERIES OF 2014 JULY 16, 2014

LEARNING RESOURCE AND INFORMATION DIVISION
HUMAN RESOURCE AND ADMINISTRATIVE DEPARTMENT

BusinessMirror Thursday, July 17, 2014 B1

Asean to liberalize investment rules for 24 services

AN additional 24 categories of services will be open this year to greater Association of Southeast Asian Nations (Asean) investment under the Asean Framework Agreement on Services (Afas), which aims to reduce investment barriers in the service sector.

The National Council for Peace and Order gave the green light last week for the country to sign an agreement on the services sector at next month's Asean Economic Ministers (AEM) meeting in Myanmar.

The services include ship repair, international law consulting, accounting, ship and cruise rental, online information providers and cross-ocean transportation.

Services liberalization in Asean has been implemented gradually under the Afas since 1995. The liberalization is based on 12 broad sectors covering 128 services subsectors identified in the World Trade Organization's Services Sectoral Classification List (W/120) as a guide.

The 12 broad service sectors include business, communications, construction and related engineering, distribution, education, environment, financial, health and social, tourism and travel, recreational, cultural and sports, and transport.

Asean members have already signed the agreement on 80 service subsectors, which allows Asean investments to comprise up to 70 percent of joint ventures.

Asean's goal is to extend the pact to cover 104 service subsectors at the end of this year and 128 next year.

The Afas objective is to enhance cooperation in services among Asean members to improve efficiency and competitiveness, diversify production capacity, and upgrade supply and distribution of services within and outside the region. Asean wants to liberalize trade in services with the aim of realizing a free-trade area in services.

Somkiat Triratan, deputy director general of the Trade Negotiations Department, said next month's AEM will include discussions how to improve cooperation in Asean after 2015 when the Asean Economic Community is scheduled to take effect.

Another focus will be the Regional Comprehensive Economic Partnership, now being negotiated by Asean and six partners: China, India, Japan, South Korea, Australia and New Zealand. *MCT*

ManilaStandardToday THURSDAY JULY 17, 2014 B1

Egco, AES complete $453-m Masinloc plant deal

By Alena Mae S. Flores

ELECTRICITY Generating Public Co. Ltd. of Thailand has completed the acquisition of a 41-percent indirect ownership in the 630-megawatt Masinloc coal-fired thermal plant in Zambales province for $453 million.

Egco said in a disclosure to the Stock Exchange of Thailand unit Gen Plus B.V. completed the deal with AES Phil Investment, a wholly-owned unit of AES Corp. of the US on July 15 for the acquisition of the 41-percent stake in Masinloc Power Partners Ltd.

Masinloc Power Partners owns the 630-MW coal-fired power plant in Zambales. The Masinloc power facility consists of two units, each with a 315-MW capacity.

"Upon this completion, the shareholders' agreement was executed and commenced," Egco president Sahust Pratuknukul said.

Gen Plus B.V. signed a definitive agreement with AES Phil Investment on June 25.

Pratuknukul said the investment was earnings accretive for Egco and provided opportunities for expansion in the future as well as other long-term co-development prospects.

"The investment will provide Egco with benefits as a result of opportunities to cooperation with AES businesses on common business activities and the investment will enhance Egco's presence and capabilities in the Republic of the Philippines power sector," he said.

"The acquisition will help enhance the Egco Group's presence in the Philippines which is in line with our short-term strategic plan to seek new investment opportunities in Asia Pacific region by acquiring commercially operated projects with immediate earnings. Furthermore, the investment will provide us opportunities for expansions of the existing plant in the future and long-term value prospects," Pratuknul said.

AES will still own a 51-percent net stake in the Masinloc coal plant after the sale, while Egco will hold 41 percent. International Finance Corp. will retain 8 percent.

Solar company gets BPI funding

RENEWABLE energy developer San Carlos Solar Energy Inc. said Wednesday it tapped bridge financing from the Bank of the Philippine Islands to support expansion projects.

SaCaSol president Jose Maria Zabaleta said the company would pursue expansion projects, after the commercial operations of the first phase of the 22-megawatt solar power plant in San Carlos City. The plant is now operating with a 13-MW capacity.

"Having constructed and grid-connected the first utility-scale solar plant in the country, we are keen to make the most of our experience, and pursue our expansion projects announced at our plant's inauguration on May 15," Zabaleta said.

"This new partnership with BPI is key to helping us deliver a larger portfolio of projects to meet the growing needs of our country for daytime power to reduce our reliance on diesel peaking plants," he said.

SaCaSol, a joint venture between Bronzeoak Philippines Inc. and ThomasLloyd Cleantech Infrastructure Fund, did not say the exact amount of bridge financing. Its solar projects are estimated to cost over P3 billion.

Bronzeoak Philippines, established by Zabaleta & Co. and Bronzeoak Ltd. of the UK, specializes in renewable energy development in the country, while European fund manager ThomasLLoyd announced it would invest $210 million to fund a portfolio of renewable energy projects in the country with a total capacity of 120 MW.

Sacasol expects to complete the 22-MW solar plant in San Carlos City this year and will put up another 18-MW solar plant in La Carlota City.

"This is an important benchmark transaction, as we work to develop the debt financing market for further renewable energy projects in the Philippines. We were delighted to work with the team at BPI and look forward to further market-leading transactions," ThomasLloyd head of project finance Tony Coveney said.

Alena Mae S. Flores

*Manila*StandardToday
THURSDAY | JULY 17, 2014 | B3

Insurers allowed to invest in ETFs

By Jenniffer B. Austria

THE Philippine Stock Exchange welcomed the move of the Insurance Commission to allow insurance and reinsurance companies and mutual benefit associations to invest in exchange-traded funds and engage in securities borrowing and lending transactions as lenders.

The IC recently released a circular recognizing ETF as a product that insurance and reinsurance companies and MBAs could invest in for liquidity and diversification.

The commission also issued Circular Letter 2014-31 allowing insurance companies to participate in SBL transactions as lenders.

The guidelines provide acceptable collateral that lenders may accept, which include cash, government securities and equity shares listed at the PSE.

ETF and SBL are among the new investment offerings launched by the PSE last year in a bid to boost liquidity in the equities markets. SBL refers to the lending of stocks from an investor's portfolio to a borrower who needs the stocks for settlement obligations to support trading strategies.

"We are grateful to the Insurance Commission for the immense support they are extending to the capital markets. The participation of the insurance sector in investment products like the ETF or trading mechanisms like the SBL will definitely help increase liquidity in the market. In addition, lending activities can provide an additional income stream for insurance companies as well," said PSE president and chief executive Hans Sicat.

ManilaStandardToday THURSDAY | JULY 17, 2014 | A3

Bill on NGOs pushed to avoid Napoles-type mess

By Maricel V. Cruz

IN a bid to help prevent a repeat of the pork barrel scandal allegedly set off by Janet Lim Napoles, an administration ally has called on the Senate to give priority to a bill providing a system for the accreditation of non-government organizations that receive government funds.

Ifugao Rep. Teddy Brawner Baguilat made the call after the House committee on people's participation recently approved his bill requiring the strict accreditation of state-funded NGOs..

The "NGO Accreditation for Government Fund Releases Act" is co-authored byRepresentatives Sol Aragones, Lucy Torres-Gomez, Cresente Paez and Leonor Gerona-Robredo , among others.

The bill seeks to help ensure that only legitimate NGOs, people's organizations, civil society organizations, with a proven track record, financial capability and deep roots in communities will receive government funding, which will be used to implement crucial projects such as social preparation, training and capacity building.

Baguilat said he hoped the Senate would come up with its own version of the NGO accreditation bill for its immediate passage into law, thus contributing to the Aquino administration's campaign toward greater transparency and accountability in government.

"Such a law can then become among the 16th Congress' legacy laws for transparency and good governance, aside from the Freedom of Information bill," said Baguilat, who filed the bill as a response to findings that the pork barrel scam involved the funneling of state funds into dubious NGOs allegedly linked to or created by Napoles.

As he remains his high hopes of the bill's enactment into law, Baguilat urged the executive branch, especially the Departments of Budget and Management and the Department of Social Welfare and Development, to continue their initiatives to put in place stricter accreditation regulations to make sure that government funds go to where they are intended.

Baguilat stressed that the NGO accreditation bill was needed to help remove the stigma on legitimate NGOs who undertake projects for the poor and marginalized.

He said that NGOs have unfortunately been smeared by the pork barrel scam, which revealed that millions of pesos in taxpayer money ended up in the pockets of fake NGOs.

He stressed that this was "unfair" to legitimate NGOs that labor quietly and struggle to serve the sectors they work with and fill the many gaps in society left behind by lack of government presence.

"This is not to restrict the freedom of NGOs but rather a way to make sure that we elevate the status of NGOs as service providers and not merely as fund conduits," said Baguilat, who also chairs the House committee on agrarian reform.

Times THURSDAY July 17, 2014 B1

Glenda forces closure of banks, markets

BANKS and most businesses suspended their operations in Metro Manila on Wednesday due to widespread power outages and flooding brought about by typhoon Glenda.

"Due to inclement weather, [the] Bank of the Philippine Islands is suspending work in all areas currently under Typhoon Signal 3. This includes head offices in Metro Manila," the bank said in an advisory.

The bank also said that its ATMs were limited to 71 percent accessibility because of communications failures and power outages.

In a separate advisory, BDO Unibank Inc. said it suspended the operations of its branches in areas under Signals 2 and 3, which are mostly in Central and Southern Luzon.

"Due to severe conditions of rains and winds caused by typhoon Glenda, BDO Metro Manila and nearby affected branches, are suspended in all areas under Signal 2 and 3," BDO stated.

Maybank Philippines Inc. (MPI) informed the public that they have closed typhoon-affected branches temporarily on Wednesday to ensure the safety of employees and customers.

"All MPI branches in Metro Manila, Alaminos, Bulacan, Cabanatuan, Cavite, Laguna, Legaspi, Mindoro, Naga, Olongapo, Pampanga, Quezon, and Tarlac, are closed today. However, the rest of MPI branches in Visayas and Mindanao are operational," the bank said in a notice.

"The bank's priority is to provide customers with uninterrupted service. MPI's Internet banking platform, *maybank2u.com.ph*, is online to service the banking requirements of our customers," it added. MPI has 79 branches nationwide, of which 30 are in Metro Manila.

PSE, clearing house suspend operations

In a brief statement issued early in the day, the Philippine Stock Exchange said it has suspended trading, while the Securities Clearing Corporation of the Philippines has stopped its transactions "due to the suspension of clearing and settlement operations in

➤ Banks B2

the Philippine Banking System."

Likewise, the PDS Group, operator of the Philippine Dealing & Exchange Corp. (PDEx) also suspended trading and settlement transactions for bonds on the local market on Wednesday.

The benchmark Philippine Stock Exchange Index closed at 6,834.04 points on Tuesday, while the Philippine peso settled at P43.40 to the US dollar.

MAYVELIN U. CARABALLO

The Philippine STAR
THURSDAY, JULY 17, 2014 B-3

PSE suspends trading due to typhoon Glenda

By NEIL JEROME C. MORALES

Powerful winds and heavy rains brought by Typhoon Glenda (international name: Rammasun) yesterday resulted in the suspension of trading in the Philippine Stock Exchange (PSE), the first suspension for 2014 in what has become a yearly event during the monsoon season.

In a public advisory, the operator of the country's only bourse said there "will be no trading at the local equity market, and clearing and settlement operations at the Securities Clearing Corp. Philippines (SCCP) due to the suspension of clearing and settlement operations in the Philippine banking system."

SCCP is a private firm organized primarily as a clearance and settlement agency for depository eligible trades executed in the local stock exchange.

As a securities depository, the company can hold securities for all financial institutions in the local bourse prior to the certificates being transferred to the owner or to another party. It can also process the settlement of share transactions.

Typhoon Glenda, one of the strongest thus far this year, passed by Metro Manila yesterday before heading towards the west Philippine sea.

The last time the PSE suspended trading was on Aug. 19-20, 2013 as tropical storm Maring and the southwest monsoon dumped heavy rains over Mega Manila, disrupting several banking operations.

The Philippine STAR Thursday, July 17, 2014 B-1

Phl growth may slow down due to DAP row – DBS

Philippine economic growth may slow down with the prospect of slower fiscal spending following the controversy over the government's Disbursement Acceleration Program (DAP), according to Singapore-based DBS.

"The prospect of slower fiscal spending weighs on the GDP (gross domestic product) growth outlook in the near-term amidst the on-going controversy regarding the Disbursement Acceleration Program (DAP), which has been ruled illegal by the Supreme Court," DBS said in a research note.

Even as President Aquino plans to appeal the Supreme Court's decision, the Singapore-based bank said the unfavorable ruling on DAP has tarnished his image, as seen from the drop in his popularity in recent surveys.

"President (Benigno) Aquino will appeal to overturn the decision but some damages are already done, judging by his falling popularity in the public surveys," the bank said.

"Given the fact that public investment is one main driver of GDP growth in the past two years, there are valid reasons to be cautious on the outlook going forward," it added.

The Philippine economy expanded by a faster-than-expected 7.2 percent last year, sustaining the strong 6.8-percent expansion in 2012. Economic growth slowed down to 5.7 percent in the first quarter of the year but the government stood by its 6.5- to 7.5-percent target expansion for 2014.

While domestic consumption remains to be the economy's biggest growth driver, public and private investment have contributed a big chunk to the country's total output.

With growth remaining strong, DBS said that risks to inflation remain although the rise in commodity prices is still expected to settle within the central bank's three to five percent target for the year and within the two- to four-percent goal for 2015.

"Inflation risks are not negligible, especially noting that loan growth remains strong, close to 20 percent year-on-year (in May), amidst the strong domestic growth fundamentals," the bank said.

"If anything, there are plenty of risks on the supply-side, given that the typhoon season has formally started with Glenda making landfall on Tuesday. Expect inflationary expectations firmly supported," it added.

Inflation decelerated to 4.4 percent in June from 4.5 percent in May, bringing the first half average to 4.2 percent.

DBS said it expects the rate to breach five percent in the coming months, which "could be the trigger for the BSP to justify further tightening of monetary policy."

The Bangko Sentral ng Pilipinas has kept key policy rates steady on expectations inflation would remain within target and conducive to robust economic growth. – **Kathleen Martin**

MANILA BULLETIN
THE PHILIPPINES' LEADING NATIONAL NEWSPAPER
B-1 Thursday, July 17, 2014

WB, IFC pledge $4.2-B new loans, investments

By CHINO S. LEYCO

The World Bank (WB) Group and its private sector unit are planning to extend another $4.2 billion worth of concessional loans and investments to the Philippine government in the next four years.

The Washington, DC-based multilateral agency said the fresh Country Partnership Strategy assistance for the Philippines is aimed to support the government's strategy in sustaining the economic growth, reducing poverty and creating jobs.

Under this new four-year strategy, the World Bank plans to provide $3.2 billion in financing for development to the government and another $1 billion for investments in business and industry from International Finance Corp. (IFC), its private sector arm.

The fresh funding and investments are separate from the World Bank's proposed Philippines Rural Development Project, which was announced its President Jim Yong Kim. (Related story on B-2)

According to Kim, the proposed project will raise rural incomes and boost the productivity of farmers and fishermen in targeted areas across the nation.

Likewise, the World Bank is expanding its support for the Mindanao peace process with another funding of $119 million to build infrastructure and boost residents' incomes as part of its growing program to help the Philippines achieve inclusive growth and reduce poverty.

The funding, which is part of a proposed new Philippine Rural Development Project, will support farm-to-mar-

▶B-3


KIM

WB, IFC... ◀B-1

◀B-1

ket roads, bridges, communal irrigation systems, and potable water, including in the conflict affected areas of the Autonomous Region in Muslim Mindanao (ARMM).

"The peace process is very important for attaining peace and development in Mindanao, including the ARMM where the conflict-affected areas are among the poorest regions in the country—with a poverty rate over 50 percent, more than twice the national average," Kim said.

"Together with the IFC, the World Bank is scaling up support for rural development and job creation in the region, with the Bank providing financial assistance to critical public infrastructure and the IFC promoting private investment in agribusiness," he added.

Kim said this project has the potential to be transformational for Mindanao and critical to poverty reduction in the Philippines."

Kim met Philippine President Benigno S. Aquino III earlier this week, where they discussed an additional $6.6 million in World Bank funding for the Mindanao Trust Fund. That funding will help support livelihoods for over 100,000 people and will support the creation of a development plan for the conflict affected areas.

"The peace process is very important for attaining peace and development in Mindanao, including the ARMM where the conflict-affected areas are among the poorest regions in the country—with a poverty rate over 50 percent, more than twice the national average," said Kim." Our support for the peace process is in line with our goals of ending extreme poverty and building shared prosperity," said Kim.

The proposed Philippines Rural Development Project would provide a total of $508 million to raise rural incomes and boost the productivity of farmers and fishermen in targeted areas across the nation. The project will be presented to the World Bank Group's board of executive directors next month;

Investments to generate at least 6,000 jobs in Mindanao, including the ARMM are also being proposed by International Finance Corp. (IFC), the bank's private sector arm.

"Together with the IFC, the World Bank is scaling up support for rural development and job creation in the region, with the Bank providing financial assistance to critical public infrastructure and the IFC promoting private investment in agribusiness," said Kim. "This project has the potential to be truly transformational for Mindanao and critical to poverty reduction in the Philippines."

Kim met President Benigno S. Aquino III at Malacañang Palace, where they discussed an additional $US 6.6 million in World Bank funding for the Mindanao Trust Fund to support livelihoods for over 100,000 people and create a development plan for the conflict affected areas.

Kim also participated in a "Daylight Dialogue" good governance conference at Malacañang Palace, where he commended the government's efforts to promote greater accountability and transparency.

"Good governance means delivering public services effectively and efficiently, while being transparent about what you spend and the results you achieve," Kim said.

"Good governance involves choosing wise policies and investments; maintaining public assets; and ensuring that civil servants are skilled, motivated, and have the tools to work effectively. It is about fostering a transparent regulatory environment that will allow the private sector to create growth and jobs," he added.

Pays $453 million for 40.95%

Thai EGCO buys stake in Masinloc Power

BANGKOK (Reuters) – Thailand's second-largest private power producer, Electricity Generating Pcl. (EGCO), on Wednesday said it had bought a 40.95 percent stake in Philippines-based Masinloc Power Partners for $453 million.

EGCO, like other Thai power producers, is looking for opportunities to expand overseas as a slowing economy dampens demand at home.

The Thai firm has signed a deal to buy the indirect stake in Masinloc Power Partners Co. Ltd from Singapore-based AES Phil. Investment Pte. Ltd., President Sahust Pratuknukul said in a statement.

Following the deal, AES holds 51 percent in Masinloc with International Finance Corporation holding 8.05 percent, the statement said.

Masinloc operates a 630-megawatt power plant, located in Zambales province on the island of Luzon.

Earlier, AES Corporation announced in the Philippines it was selling a 45 percent stake in its Philippine holding company businesses in the Philippines to Electricity Generating Public Company Limited (EGCO Group), a Thailand-based Independent Power Producer (IPP), for $453 million.

In a statement, AES said it has entered into an agreement to sell the minority interest in Masin-AES Pte. Ltd., a wholly-owned subsidiary of AES that owns AES' business interests in the Philippines, to EGCO.

The sale includes indirect stakes in the 630 MW Masinloc coal-fired power plant in operation since 1998; expansion of the existing Masinloc facility; and approximately 60 MW of potential energy storage projects in advanced development.

After the sale, AES will own a 51 percent net stake in Masinloc, EGCO Group will own 41 percent, and the International Finance Corporation (IFC) will retain 8 percent.

AES will continue to manage and operate the plant. AES and EGCO Group have agreed to use the Masinloc platform as their exclusive vehicle for growth in the Philippines.

"This transaction demonstrates how we are

▶B-3

Thai EGCO... ◀B-1

executing on our strategy, by bringing in partners to realize the value of our portfolio and capitalize on the growth potential across our markets," said AES president Andrés Gluski.

He added that "we see attractive growth opportunities in the Philippines and are well-positioned to invest in the expansion of our existing plant, as well as energy storage projects, with our partners."

In 2008, AES purchased a 92 percent interest in Masinloc, with IFC as minority partner, for total enterprise value of $1.1 billion. The acquisition was funded with equity contributed by AES and IFC and $635 million of non-recourse debt.

"The Philippines continues to experience robust economic growth, resulting in increasing demand for energy, which creates a great opportunity for companies like AES and EGCO to meet these needs by providing safe, reliable and affordable energy," said AES' Asia strategic business unit president Scott Kicker.

He added that, "with this strategic partnership, we look forward to pursuing growth opportunities that will help meet the country's growing demand for energy."

This transaction is expected to close in the third quarter of 2014. AES expects to invest the proceeds, after any closing price adjustments, in a credit neutral manner consistent with its capital allocation framework. (With report from James A. Loyola)

MANILA BULLETIN
Thursday, July 17, 2014 B-3

Gov't plans maiden Islamic bond issue

By YUDITH HO and LIAU Y-SING
(Bloomberg)

Philippine President Benigno S. Aquino III will seek to consolidate his success in brokering peace with Muslim rebels by selling a debut sovereign sukuk before his term ends in June 2016.

The country may offer "token amounts" of Islamic bonds to diversify funding, National Treasurer Rosalia de Leon said in a July 9 interview in Manila. Aquino signed a peace accord with the Moro Islamic Liberation Front (MILF) in March after 40 years of conflict on the southern island of Mindanao, which is home to most of the Philippines' 5 million Muslims.

The Philippines joins the U.K., Hong Kong and South Africa in seeking to tap Shariah-compliant financial assets that Ernst & Young LLP forecasts will double to $3.4 trillion by 2018. The Philippines, which considered a law to encourage Islamic finance as far back as 1973 and has yet to deliver, is ranked investment grade by all three major rating companies and its 10-year borrowing costs are almost half of Indonesia's.

"Its improved rating and economic stability makes offering sukuk a good way of really propelling the Philippines into the Islamic finance scene," Raj Mohamad, managing director at Five Pillars Pte., a consulting company in Singapore, said in a July 11 interview. "Debut offers are always enthusiastically welcomed."

Moody's Investors Service has upgraded the country's debt four times since Aquino became president in 2010 to its lowest investment-grade, while Standard & Poor's also raised its ranking four times to the second-lowest.

The yield on the Philippines' non-Islamic government notes due 2024 was 4.17 percent yesterday, compared with 8.17 percent for Indonesia and 3.96 percent for Malaysia, data compiled by Bloomberg show.

The Philippines may not need to pass an Islamic finance law before the planned sale, as the Monetary Authority of Singapore sold S$200 million ($161 million) of Shariah debt in 2009 without any specific rules, Five Pillars' Mohamad said.

"The Philippines' investment-grade rating would help attract demand for the sukuk," Abdul Kadir Hussain, who oversees about $700 million as chief executive officer at Mashreq Capital DIFC Ltd. in Dubai, said in a phone interview yesterday. "Sales from sovereigns would establish the stage for other institutions within the country to issue as well."

The Philippine Stock Exchange started producing a list of Islamic equities in December. Some 51 of the 270 vetted companies are Shariah-compliant, the bourse said in a July 7 statement.

The exchange uses standards set by the Bahrain-based Accounting and Auditing Organization for Islamic Financial Institutions to determine Shariah compliance. Companies that derive more than 5 percent of income from non-Shariah sources such as alcohol and gambling and those that have a debt-to-market value ratio exceeding 30 percent are excluded.

There are plans to develop an Islamic share index and then consider other Shariah-compliant products including exchange-traded funds, Roel Refran, the bourse's chief operating officer, said in a July 11 e-mail interview from Manila.

"The success of Islamic finance also requires adequate government support," he said. "Our focus now is to have local Islamic products in place. Once available, it will be easier for us to gauge interest and promote them to both local and global funds."