



SEC News Service

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NOVEMBER 5, 2014

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PSE revs up vigilance over disclosure rules

THE PHILIPPINE Stock Exchange (PSE) has signaled it is not letting its guards down in ensuring publicly owned companies abide by its disclosure policies as businessman Antonio L. Tiu, who heads two listed companies, comes under scrutiny of lawmakers.

Mr. Tiu, chairman, president and chief executive officer of Greenergy Holdings, Inc. and chairman of AgriNurture, Inc., earlier appeared before the Senate Blue Ribbon Committee to clarify his ownership of a sprawling property in Rosario, Batangas that is linked to Vice-President Jejomar C. Binay.

In a statement, PSE President and Chief Executive Officer Hans B. Sicat said the PSE is "monitoring" how the Senate's inquiry will pan out and whether Mr. Tiu's

testimony was consistent with his companies' disclosures.

"In the case of Greenergy and AgriNurture, we want to make sure that any narration of Mr. Tiu during the Senate hearings that are considered material developments, have actually been disclosed or are properly disclosed to the public."

'DUE PROCESS'

The statement did not categorically say that the Tiu-led companies are under review by the PSE, whose rules require, among others, that disclosure of "material information" be made to the exchange before its release to the media. The penalty for noncompliance with the disclosure requirements ranges from P50,000 to P75,000 and could be as stiff as delisting.

In a mobile phone reply to *BusinessWorld*, Mr. Sicat said: "We take our regulatory role seriously and all companies are monitored."

"We also observe due process for any company or stakeholder that we may have a potential issue with, and do not — as a matter of practice — have knee jerk reactions to claims or allegations, nor do we publicly announce what we do especially during specific reviews."

At the heart of the Senate's inquiry is Greenergy subsidiary Sunchamp Real Estate Development Corp., which claims ownership of the 350-hectare Batangas property.

Even if Sunchamp is a private firm, any of its transactions "that may materially affect any listed company" still need to be properly disclosed by the related listed company, Mr. Sicat said.

Sunchamp is the company that is reportedly being used as an alleged front by Mr. Binay.

"If there are any illegal acts conducted by officers of listed companies that are proven true, this could have an impact on any application for listings of such company in the context of our suitability rules," Mr. Sicat said in the statement.

"If there will be continuous disclosure violations by any company that will be established by the Exchange after the conduct of its own investigations and affording due process, they will also be subjected to penalties as provided by the PSE rules."

'CONSISTENT'

Sought for comment, Mr. Tiu was not shaken.

"My publicly listed companies have consistently disclosed all relevant business information required by law and the PSE rules," Mr. Tiu told *BusinessWorld*.

"My testimony in the Senate has been consistent with the disclosures," he pointed out.

Last month, the PSE sought clarification from Greenergy and AgriNurture after the companies and Mr. Tiu were mentioned in news reports about the Senate's investigation into Mr. Binay's alleged property.

Both companies denied the allegations through statements published on the PSE EDGE, the bourse's online disclosure portal.

NOT AFTER THE FACT

Market players viewed the PSE's statement, while a reiteration

of existing disclosure rules, as a warning that listed companies are being watched.

"This is a good move on the part of the president of the PSE that he is looking into it in anticipation, and not just after the fact," said Harry Liu, president of brokerage firm Summit Securities, Inc.

"It shows that the PSE is on top of everything — not just with Tiu's company — but across the board."

Astro C. del Castillo, managing director of First Grade Finance, Inc., said: "The PSE is protecting the interest of the investing public. They also do not want their investments to be placed in the wrong hands, or their money being used as a cover-up for something that is not good." — *reports from Daphne J. Magturo and C. A. M. C. Feliciano*

Row over marina project to reach Supreme Court

ALPHALAND Corp.'s erstwhile partner, the Wenceslao group, on Tuesday said it will ask the Supreme Court to protect its stakes in Alphaland Marina & Country Club which is at the center of a settlement deal between Alphaland and Ashmore Investment of UK.

The Wenceslao group said it has first dibs on the stakes Alphaland held in the marina project — the two group's joint venture. But Alphaland transferred that marina project to Ashmore as part of a June 6 agreement that settles its separate row with shareholders Masrickstar Corp. and Alphaland Holdings (Singapore) Pte. Ltd., through which London-based private equity fund Ashmore held stakes in Alphaland.

"We have the right of first refusal over the subject shares and, in effect, the property of ABC (Alphaland Bay City Corp.)," the Wenceslao group said in a statement e-mailed to media, referring to the joint venture company handling the marina project.

The Wenceslao group, which also owns the Aseana City near the Mall of Asia complex, claimed that Alphaland's equity contribution to ABC involves ten hectares of land. The Wenceslao camp, citing regulatory filings, also asserted that it contributed 18 hectares, giving it a majority share in the joint venture.

The Wenceslao group had also claimed that Alphaland "put in escrow" the Wenceslao land titles without the former's knowledge.

"We will exercise all legal remedies on this to protect our interests and we are prepared to go all the way to the Supreme Court," the statement read.

Sought for comment, Alphaland Corporate Secretary Rodolfo Ma. A. Ponferrada said the Wenceslao group's statement was "inaccurate and misleading."

"As far as the Alphaland Group is concerned, the settlement agreement between Alphaland and the Aland Singapore Group/Ashmore Group has been legally completed," the Alphaland counsel said in an e-mail.

Under the settlement agreement, Mr. Ponferrada pointed out, the Aland Singapore Group "assumed all of the obligations of Alphaland" in the joint venture with the Wenceslao group. "Simply put, the Alphaland Group has nothing to do with the Wenceslao Group," he said.

Alphaland was a joint venture of the Ongpin camp and UK-based Ashmore group until June 5. Their partnership soured after the Ongpin group accused the latter of allegedly misrepresenting a share sale to boost Alphaland's public ownership level. — **D. J. Magturo**

Philippine financial system remains 'strong'

THE PHILIPPINE banking sector posted robust growth in the first semester from a year ago even amid market uncertainties arising from developments abroad, the Bangko Sentral ng Pilipinas (BSP) yesterday reported.

In its semestral report on the Philippine financial system, the central bank said domestic banks' resources, which account for nearly 80% of the financial system, collectively stood at P10.279 trillion at end-June, growing by

19.3% from P8.613 trillion in the comparable 2013 period.

"The Philippine financial system... remained strong and healthy in the first half of 2014 amid lingering market uncertainties brought about by the US

normalization policy and China slowdown," the BSP said in the report.

Loans expanded by 20.1% to P4.718 trillion in the first six months of the year from P3.927 trillion last year, supported by

a 24.5% growth in deposits. Deposits rose to P7.901 trillion from P6.347 trillion the year previous, the report showed.

Even as lending rose, banks managed to keep the quality of their assets healthy.

Banks' non-performing loans — obligations unpaid at least 30 days after their due date — were kept low at just 2.7% of their total loan portfolio in the first semester against the 3.3% seen a year ago.

Strong, S2/3

Strong,
S2/1

On the other hand, lenders' capital adequacy ratio — which measures their cover against risks — remained strong at 15.4% on solo basis and 16.3% on consolidated basis as of June 2014, well above the BSP's 10% minimum requirement and the 8% international standard under Basel III.

Banks' collective profit in the first half of the year, however, was almost halved to P63.7 billion from the P116.9 billion a year ago, which the BSP said was due to "moderate upward movement of domestic interest rates which resulted in revaluation and mark-to-market losses in banks' trading books.

Despite this, the BSP said the performance of Philippine lenders remains "commendable," citing Moody's Investor's Service "positive" outlook.

Operations and the reach of banks also continued to expand in the period, with the country having 664 operat-

ing banks, 9,456 bank branches, 14,843 ATMs, 328 micro-finance banking offices, and 245 banks with e-banking services.

On the other hand, non-banks, which include investment houses, security dealers and brokers, pawnshops, non-stock savings and loan associations, insurers and the like, also supported the Philippine financial system's growth.

"Entities with quasi-banking functions and other institutions under BSP jurisdiction also performed generally well for the first half of the year," the central bank said. "Key performance indicators for NBFIs (non-bank financial institutions) reflected strong balance sheets and sustained profitability."

Nevertheless, the BSP said it would remain vigilant against potential pressure points that could threaten the stability of the financial system. — **Daryll Edisson D. Saclag**

Alphaland-Ashmore settlement facing serious legal impasse

The settlement agreement between the Alphaland Group and Ashmore Investment of UK faces an extremely difficult legal impasse.

The issue stemmed from Alphaland's failure to notify and therefore get the consent of the Wenceslao Group that it was unilaterally transferring its interest in their joint venture to build a marina project in Aseana City as payment to Ashmore Investment of UK.

The Wenceslao group, owner of Aseana City, said in a statement issued yesterday that Alphaland's interest involved 10 hectares as its equity contribution to ABC Corp.

Based on recent Securities and Exchange documents, the Wenceslao Group contributed 18 hectares, giving it a majority share.

"We have the right of first refusal over the subject shares and, in effect, the property of ABC. We were not notified at all to allow us to decide whether we would exercise our rights or not. Absent this notice, there was no way we could have consented to the transfer," Wenceslao said.

Worse, the statement added, Alphaland put in escrow Wenceslao's titles without its knowledge and consent, apparently

as part of its agreement with Ashmore.

"Alphaland had no right to do that since Alphaland does not own those properties. Those titles had nothing to do with any agreement between Alphaland and Ashmore. We will exercise all legal remedies on this to protect our interests and we are prepared to go all the way to the Supreme Court," it added.

The partnership started to sour after Wenceslao found out last year that Alphaland was mortgaging the same 10 hectares without its knowledge and consent.

The Wenceslao Group refused to give its consent since the loan would benefit Alphaland only.

Worse, Alphaland also put up two new corporations that gave it sole control of the marina project.

One company obtained from the government the foreshore lease, which is critical to any marina project; the other sold marina club shares, with all the sales proceeds going to Alphaland instead of ABC.

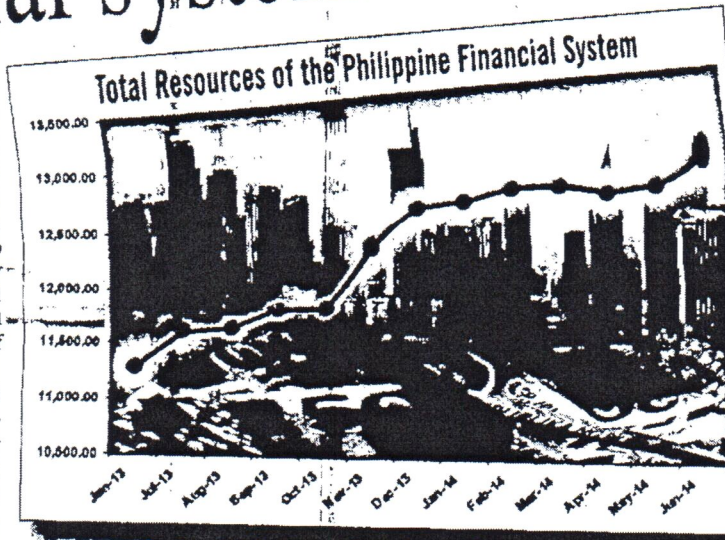
Financial system remains healthy

BY JIMMY CALAPATI

DESPITE the lingering uncertainties brought about by the US Fed's decision to gradually stop its stimulus program and a perceived slowdown in China's economy, the Bangko Sentral ng Pilipinas yesterday said the country's financial system "remained strong and healthy" in the first half of 2014.

Data from the BSP showed total resources of the Philippine financial system for the first six months stood at P13.034 trillion, 15 percent higher than the P11.291 trillion the system posted in the same period last year.

The banking system performed beyond market expectations with a year-on-year



asset growth of 19.3 percent.

Net profit stood at P63.7 billion though affected by moderate upward movement of domestic interest rates which resulted

al credit watcher for the next 12-18 months. At end-June 2014, the country had 664

in revaluation and mark-to-market losses in banks' trading books.

Nonetheless, interest-related revenues continued to

support core earnings.

This period also highlighted the changing behavior of banks in response to changing market conditions.

Despite all these, BSP said the performance of the Philippine banking system is still commendable as it is the only banking system out of the Asean-5 and the 65 Moody's-rated banking systems in the world that earned a positive outlook from the international

FINANCIAL

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operating banks, 9,456 bank branches, 14,843 ATMS, 328 microfinance banking offices, and 245 banks with e-banking services.

Entities with quasi-banking functions and other institutions under BSP jurisdiction also performed generally well for the first half of the year.

But the BSP stressed that "risks arising from ever-changing market conditions and emerging regulatory architecture could signal sharp turns and pressure points that may warrant careful monitoring, pro-active supervisory response and calibrated reform implementation."

Monetary officials last month implemented new rules geared at making the banking system ride out financial difficulties and remain strong and healthy.

The Monetary Board released new, and stricter, capital guidelines for the country's big banks or those banks which are deemed systemically important within the domestic banking industry.

Systemically important banks will be required to increase their minimum Common Equity Tier 1 (CET1) ratio by 1.5 to 3.5 percentage points depending on which bucket they are classified.

This will be on top of the existing CET1 minimum of 6 percent and the capital conservation buffer of 2.5 percent.

Banks whose capital ratio falls below their corresponding regulatory minimum will be subject to constraints in the distribution of their income.

Called D-SIBs (Domestic-Systemically Important Banks), BSP believes that a failure among these banks would mean disruption of the markets or ruin the economy.

BSP Governor Amando Tetangco

noted that the "new regulation is a major initiative which is designed to ensure that our banking industry further builds upon the strength that it has already achieved."

"(This is) to further strengthen the capacity of D-SIBs to absorb more risks," Tetangco said.

He explained that global reforms on the treatment of systemically important financial institutions (FIs) have been initiated in light of the socio-economic costs arising from the financial crisis.

This includes the government bailout of failed institutions particularly in advanced economies.

"In an effort to strengthen financial markets and remove the moral hazard of publicly-funded bailouts, the Basel 3 reform agenda requires systemic FIs to set aside more funds as buffer for potential losses," Tetangco said.

Earlier, the Monetary Board announced that it has increased the minimum capital requirements of all bank categories— universal, commercial, thrift, rural, and cooperative banks—to produce a stronger system that is ready for the upcoming regional integration.

New and existing universal banks must have a minimum capital of up to P20 billion if it plans to have 100 or more branches.

Commercial banks, meanwhile, need to raise up to P15 billion for the same number of branches.

Thrift banks must increase their capital to P2 billion if they intend to increase their branches to 50 while rural banks and cooperatives need to raise P200 million for more than 50 branches.

The move is geared at producing a stronger system that is ready for the upcoming regional integration.

Alphaland-Ashmore settlement questioned

BY ALBERT CASTRO

THE Wenceslao Group, developer of business center Aseana City in Pasay City, is preparing to challenge the settlement agreement entered into by Alphaland Corp. and British fund manager Ashmore over a planned Marina Bay project in the area.

The company said in a statement it will bring to court the two parties' agreement after Alphaland put in escrow the title for the property that covers the 28-hectare project.

The project was originally a joint venture between the Roberto Ongpin-led Alphaland and the Wenceslao Group.

"Alphaland does not own those properties. Those titles had nothing to do with any agreement between Alphaland and Ashmore. We will exercise all legal remedies on this to protect our interests and we are prepared to go all the way to the Supreme Court," it said.

The issue is an offshoot of an ongoing discussion between Ashmore and the Wenceslao Group following Alphaland's failure to notify and get the consent of the Wenceslao Group in transferring its interest in the project to Ashmore to settle an ownership row in the company.

As part of the agreement, Alphaland transferred to Ashmore interests like (1) 100 percent of Alphaland Makati Tower Inc.; (2) 100 percent of Alphaland Marina Club Inc. and Alphaland Marina Corp.; (3) 50 percent ownership of the Alphaland group in Alphaland Bay City Corp. (ABC Corp.); and (4) 60 percent interest of the Boracay Gateway project in exchange for Alphaland unit controlled entities, Ashmore-led Alphaland Holdings (Singapore) Pte. (AH) and Masrickstar Corp. (MC) transferring all of their interest in Alphaland back to the company.

The Wenceslao Group, however, said it has a right of first refusal over the interest concerning ABC Corp..

It said it was never asked if it would exercise the option before the settlement could be final.

Wenceslao said Alphaland's interest involved 10 hectares as its equity contribution to ABC Corp. Based on recent Securities and Exchange documents, the Wenceslao Group contributed 18 hectares, giving it a majority share.

"Worse, Alphaland put in escrow Wenceslao's titles without its knowledge and

consent, apparently as part of its agreement with Ashmore," it added.

The Wenceslao group and Ongpin were earlier embroiled in a word war after Wenceslao found out last year that Alphaland was mortgaging the same 10 hectares without its knowledge and consent. The Wenceslao Group refused to give its consent since the loan would benefit Alphaland only.

Alphaland also put up two new corporations that gave it sole control of the marina project. One company obtained from the government the foreshore lease, which is critical to any marina project; the other sold marina club shares, with all the sales proceeds going to Alphaland instead of to ABC.

The original marina design with a floating clubhouse, its key feature, was also unilaterally cancelled by Alphaland although it had already sold club shares to the public based on that design.

Alphaland said it would instead build its own marina project and clubhouse on the disputed ten-hectare property without telling the public that it is landlocked and surrounded by the properties contributed by the Wenceslao group.

Wednesday, November 5, 2014

Phoenix Petroleum slates 2nd tranche of ₱1-B share sale

By **MADÉLAINE B. MIRAFLOR**

Independent oil player Phoenix Petroleum Philippines Inc. is going to conduct the second tranche of its ₱1-billion share sale, to raise as much as ₱500 million in order to redeem the first tranche or half of the entire issuance conducted by the company since 2010.

Phoenix Petroleum started the first tranche of its share sale in 2010 where it issued 5 million preferred shares at an issue price of ₱100 per share by way of private placement. The offering raised proceeds of ₱500 million.

On the fourth year after the issuance of the first tranche, the company expressed its interest to conduct the second tranche of the share sale where it intends to raise another ₱500 million.

The Securities and Exchange Commission (SEC) subsequently approved this recently.

Based on a registration statement filed with the corporate regulatory agency, Phoenix

Petroleum said it plans to execute a secondary offering of another 5 million preferred shares worth ₱100 apiece, which will be listed and traded in the Philippine Stock Exchange.

"The whole amount of the proceeds shall be used to redeem the first tranche of preferred shares worth ₱500 million issued by the company on September 21, 2010," Phoenix Petroleum told the SEC.

The issue manager and underwriter for the share sale is PentaCapital Investment Corp.

Moving forward, the company mentioned in a document filed with the SEC that it will "continue to expand in other areas of the Philippines, apart from Mindanao".

SEC has earlier allowed the company to sell and issue short-term commercial paper (STCP) of up to ₱2 billion in one or more tranches at an offer price of 100 percent face value.

STCPs are unsecured debt instrument issued by a company to finance its receivables, inventories, and short-term liabilities.

Market retreats; Security Bank up

STOCKS fell Tuesday on profit-taking following a four-day climb and after the largest company by market value reported a double-digit drop in profit in the third quarter.

The Philippine Stock Exchange index, the 30-company benchmark, dipped 90 points, or 1.2 percent, to close at 7,222.01 on value turnover of P8.5 billion. The index was still up 22.6 percent since the start of the year.

The heavier index, representing all shares, also shed 42 points, or 1 percent, to settle at 4,244.30, as losers outnumbered gainers, 128 to 57 with 42 issues unchanged.

Philippine Long Distance Telephone Co., the largest company by market value, retreated 3.5 percent to P3,148, after it reported net income in the third quarter fell 14 percent from a year ago.

Manufacturer D&L Industries Inc. was the biggest gainer among the 20 most active stocks, as it rose 3.5 percent to P14.80. Security Bank Corp., which reported a 13-percent growth in third-quarter income, climbed 2.5 percent to P151.70.

Cebu Air Inc., operator of budget carrier Cebu Pacific, added 2.2 percent to close at P75.60. GT Capital Holdings Inc., the investment company of tycoon George Ty, rose 1.6 percent to P1,040.

Meanwhile, Asian markets were mixed Tuesday, following a soft lead from Wall Street, while Tokyo tacked on another huge set of gains after last week's surprise monetary easing by the Bank of Japan.

The dollar eased a touch after racing above 114 yen for the first time in seven years, while the euro edged higher from the previous day's two-year lows against the dollar.

Tokyo, which surged more than 4 percent at the open, ended 2.73 percent higher, adding 448.71 points to 16,862.47, while Sydney rose 0.24 percent, or 13.0 points, to close at 5,519.9. Shanghai finished

marginally higher, adding 0.65 points to 2,430.68.

However, Seoul slipped 0.91 percent, or 17.78 points, to 1,935.19 and Hong Kong was 0.10 percent lower in the afternoon.

Japanese traders returned from a long weekend for the first time since Friday's central bank announcement that it would add up to 20 trillion yen (\$176 billion) to its asset-buying scheme in a bid to kick-start the economy and avert a recession. That sent the Nikkei almost 5 percent higher and the yen plunging against the dollar.

On Tuesday Tokyo's markets resumed their buying spree.

"US markets' positive reaction [Friday] to the BoJ's announcement adds all the more fervour to suddenly bullish Japan stock enthusiasm," Hiroichi Nishi, general manager of equities at SMBC Nikko Securities, told Dow Jones Newswires.

The prospect of even more yen being pumped into the market sent it tumbling Friday, and this week extended those losses.

With AFP

Alphaland settlement faces legal row

THE settlement agreement between the Alphaland Group and Ashmore Investment of UK faces a difficult legal impasse.

The issue stemmed from Alphaland's failure to notify and get the consent of the Wenceslao Group that it was unilaterally transferring its interest in their joint venture to build a marina project in Aseana City as payment to Ashmore Investment of UK.

The Wenceslao group, owner of Aseana City, said in a statement Alphaland's interest involved 10 hectares as equity contribution to ABC Corp. Based on recent Securities and Exchange documents, the

Wenceslao Group contributed 18 hectares, giving it a majority share.

"We have the right of first refusal over the subject shares and, in effect, the property of ABC. We were not notified at all to allow us to decide whether we would exercise our rights or not. Absent this notice, there was no way we could have consented to the transfer," Wenceslao said.

Alphaland said Wenceslao's statement was inaccurate and misleading.

"We believe that the Wenceslao Group has no valid basis to object to the settlement agreement between Alphaland and the Aland Singapore Group. However, if they believe

they do, their only recourse is to take it up with the Aland Singapore Group and not with Alphaland," Alphaland said.

The Wenceslao Group alleged that Alphaland put Wenceslao's titles in escrow without its knowledge and consent, apparently as part of an agreement with Ashmore.

"Alphaland had no right to do that since Alphaland does not own those properties. Those titles had nothing to do with any agreement between Alphaland and Ashmore. We will exercise all legal remedies on this to protect our interests and we are prepared to go all the way to the Supreme Court," it added.

Max's readies P4.6-b share sale

By Jenniffer B. Austria

MAX'S Group Inc., the country's largest casual dining restaurant chain, plans to conduct a P4.6-billion follow-on offering this month.

Max's Group said in a filing with the Securities and Exchange Commission it would offer the shares from Nov. 18 to 24, with the listing date tentatively set on Dec. 2.

Max's Group plans to sell up to 300.12 million in common shares at a maximum price of

P29.50 apiece. They consist of 31.10 million in new common shares, 204.63 million in stocks to be sold by wholly-owned subsidiaries of the company and 61.39 million in shares offered by certain stockholders of the company.

Max's Group plans to use

approximately P3 billion of the net proceeds from the offering to repay the P3 billion of long-term debt secured from Bank of the Philippine Islands to partially finance the acquisition of Pancake House Inc.

It will allot the balance of the proceeds to finance capital expenditures for store and commissary expansion and working capital requirements.

The restaurant chain operator hired BPI Capital Corp. as lead issue manager and underwriter of the offering and BDO Capital & Investment Corp. as the senior co-lead underwriter.

Max's Group as of end-June this year operated 525 stores across 11 brands, namely Max's Restaurant, Krispy Kreme, Jamba Juice, Pancake, Maple, Yellow Cab, Teriyaki Boy, Le Coeur de France, The Chicken Rice Shop, Dencio's and Sizzlin' Steak.

Some 324 outlets are found in Metro Manila, 117 in northern and southern Luzon, 29 in Visayas and 28 in Mindanao.

The company also has 27 outlets in the United States, the Middle East, Canada and Malaysia.

Max's Group's store count is

expected to reach between 630 and 640 outlets by the end of the year,

The company said it plans to intensify store expansion and maintain market leadership amid increasing consumer spending in Metro Manila and other key cities in the country.

"The company will focus on its leading brands Max's Restaurant and Pancake House, and increase the dominance of Krispy Kreme and Yellow Cab in their respective categories," Max's Group said.

"By leveraging on the strength of these brands, the objective of the company is to increase

store network of these brands, introduce new formats and expand their product offerings to ensure the brands' continued relevance and customer acceptance," it added.

The company in February this year completed the acquisition of Pancake House and its portfolio of brands.

The combination of the Max's Group and Pancake House Group created the country's leading casual dining group with combined revenues of P9.22 billion in 2013 and P4.58 billion in the six-month period ending June 30 this year.

Metrobank starts offering new 7-year notes

By Julito G. Rada

METROPOLITAN Bank & Trust Co., the country's second-largest lender, started offering Tuesday a new seven-year tranche of long-term negotiable certificates of deposits.

The bank said in a disclosure to the stock exchange the public offering period for the LTNCDS would last until Nov. 14 this year. The bank said it reserved the right to adjust the timing of the offering period.

"The LTNCDS will be offered at a rate of 4.25 percent per annum, payable quarterly. The LTNCDS have a tenor of seven years and will mature on Nov. 21, 2021. The minimum investment size is P50,000 with increments of P50,000 thereafter," the bank said.

This is the second offering of LTNCDS by Metrobank. The bank successfully raised P8 billion from 5.5-year LTNCDS in October.

"The strong demand for the initial LTNCDS tranche prompted the bank to launch a follow-on seven-year LTNCDS to satisfy unmet client demand," it said.

LTNCDS are negotiable certificates of deposit indicating an amount of indebtedness of a bank with a designated maturity. The certificates form part of a bank's deposits and rank senior to all unsecured and subordinated debts, and all classes of equity securities.

The Bangko Sentral ng Pilipinas earlier approved Metrobank's LTNCDS program of up to P20 billion, to be issued in tranches with approved tenors ranging from 5.25-year up to 10-years. The bank has up to the first quarter of 2015 to complete the program.

Metrobank tapped The Hongkong and Shanghai Banking Corp. and ING Bank N.V., Manila Branch as joint lead arrangers and selling agents for the transaction. Metrobank, First Metro Investment Corp. and Multinational Investment Bancorporation serve as selling agents.

It said MIB would act as market maker for secondary trading of the LTNCDS while the instrument is not yet listed on the platform of Philippine

Dealing and Exchange Corp.

Metrobank is one of the country's biggest universal banks, with the largest domestic network of 872 branches and over 1,900 automated teller machines nationwide. It has 31 foreign branches, subsidiaries and representative offices.

Metrobank registered consolidated assets of P1.4 trillion at the end of June this year and total equity of P138.9 billion. The bank's Basel 3 capital adequacy ratio remained well above the regulatory limit at 15.4 percent with core equity tier 1 at 12.1 percent.

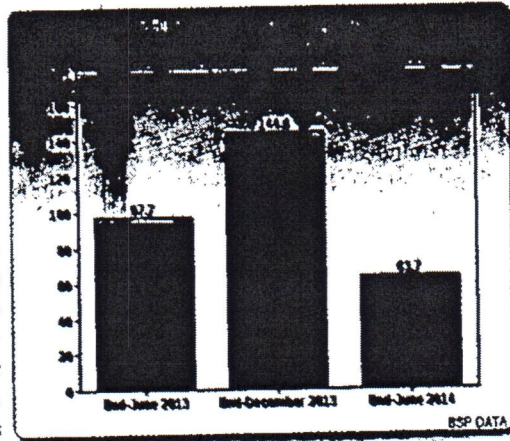
PH financial system 'strong and healthy'

THE Philippine financial system remained strong and healthy in the first half of 2014 amid lingering market uncertainties brought about by the United States normalization policy and China's slowdown, the central bank said on Tuesday.

In a statement, the Bangko Sentral ng Pilipinas (BSP) said the strong performance of the banking system, which accounts

for almost 80 percent of the assets of the financial system, continued to support the Philippine

► **Financial B2**



PH financial system

financial system.

The BSP said the banking system "performed beyond market expectations" as its total assets grew 19.3 percent year on year to P10.3 trillion during the period.

However, it said moderate upward movement of domestic interest rates, which resulted in revaluation and mark-to-market losses in banks' trading books, affected the banks' net profit in the first six months of 2014.

The banking system's net profit stood at P63.7 billion at end-June, down 34.7 percent from P97.7 billion recorded in the same period a year earlier.

Nonetheless, the BSP said interest-related revenues continued to support core earnings as the six months to June period also highlighted the changing behavior of banks in response to changing market conditions.

"Despite all these, the performance of the Philippine banking system is still commendable as it is the only banking system out of the Asean-5 and the 65 Moody's-rated banking systems in the world that earned a positive outlook from the international credit watcher for the next 12 to 18 months," it said.

Asean-5 refers to the founding economies of the Association of Southeast Asian Nations namely, Indonesia, Malaysia, Philippines, Thailand and Singapore.

As of end-June, the central bank reported that the country had 664 operating banks, 9,456 bank branches, 14,843 automated teller machine units, 328 microfinance banking offices, and 245 banks with e-banking services such as internet, mobile, phone, e-wallet and remittance cards.

"The BSP continued to widen financial access points under a defined financial inclusion strategy," it added.

Entities with quasi-banking functions and other institutions under BSP jurisdiction also performed generally well for the first half of the year, as key performance indicators for these non-bank financial institutions reflected strong balance sheets and sustained profitability, the central bank said.

Lastly, the BSP said it will remain vigilant to maintain its objective of promoting greater financial stability.

"Notwithstanding the solid performance of the financial system in the first half of 2014, risks arising from ever changing market conditions and emerging regulatory architecture could signal sharp turns and pressure points that may warrant careful monitoring, pro-active supervisory response and calibrated reform implementation," it said.

MAYVELIN U. CARABALLO

Stocks slip back on profit-taking

PHILIPPINE stocks fell back to the 7,200-points level on Tuesday as profit-taking set in following the market's more than one percent surge on Monday.

THE Philippine Stock Exchange index (PSEi) fell 90.84 points or 1.24 percent to 7,222.01, while the wider All Shares index lost 42.04 points or 0.98 percent to 4,244.30.

Jonathan Ravelas, Banco de Oro vice president and chief market strategist, said there was active profit-taking due to the previous day's sharp climb to 7,300 points.

Joseph Roxas, president of Eagle Equities Inc., said in a chance interview during the 8990 Holdings Inc. press briefing that the market remains in a consolidation phase and profit-taking was normal.

"Shareholders just sold some stocks

after the surge to 7,300 points of the market. We are still in consolidation phase for the whole of November, which can still stretch to December. The market may go up on earnings but it is still subject to a downward trend," Roxas said.

Roxas forecasts the market to trade within 7,000 to 7,400 points.

All sectors ended in the red on Tuesday. Financials edged down 2.89 points or 0.17 percent to 1,674.99, industrials lost 99.23 points or 0.85 percent to 11,611.79, and holding firms dropped 57.69 points or 0.90 percent to 6,321.77.

Services slumped 46.32 points or 2.07 percent to 2,194.50, mining and oil lost 141.34 points or 0.90 percent to 15,585.38 and property fell 28.76 points or 1.02 percent to 2,797.78.

Among the actively traded stocks, GT Capital Holdings and Security Bank were gainers, while the top losers were PLDT, Island Information and Technology Inc., BPI, Universal Robina Corp., Bloomberry Resorts Corp., Metrobank, SM Prime Holdings Inc., Ayala Land Inc.

Total volume of shares traded was 9.96 billion shares valued at P8.5 billion. Decliners outnumbered advancers 128 to 57, while 42 shares were unchanged.

On Monday, the bellwether PSEi surged by 1.35 percent, gaining 97.12 points to 7,312.85 amid optimism from the Bank of Japan's expanded asset buying program and robust third quarter corporate earnings results. The All Shares also climbed 35.83 points or 0.84 percent to 4,286.34.

KRISTYN NIKA M. LAZO

PSE probes

listed firms linked to Tiu

Ensuring public disclosure to protect investors

By Doris C. Dumlao

THE PHILIPPINE Stock Exchange (PSE) is scrutinizing the testimony of businessman Antonio Tiu, chair of publicly listed companies AgriNurture Inc. and Greenergy Holdings Inc., as he faces the Senate Blue Ribbon Committee amid allegations that he is a dummy of Vice President Jejomar Binay.

In a statement issued yesterday, the PSE said it was monitoring the developments at the Senate hearings as these might involve dealings of companies listed at the PSE.

"We conduct monitoring for all listed companies to ensure that they adhere to our disclo-

sure rules and that the investing public is properly informed. In the case of Greenergy and AgriNurture, we want to make sure that any narration of Mr. Tiu during the Senate hearings that are considered material developments have actually been disclosed or are properly dis-

closed to the public," PSE president Hans Sicat said.

"Sunchamp Real Estate Development Corp. is not a listed company but any transaction of Sunchamp that may materially affect any listed company will still need to be properly disclosed by the concerned listed company," Sicat added.

The PSE earlier sought clarification from Greenergy and AgriNurture pertaining to a news article on the involvement of Greenergy subsidiary Sunchamp Real Estate Development Corp. in a 350-hectare farm in Batangas. The clarificatory statements from Greenergy

and AgriNurture were published by the PSE through its disclosure portal. Both denied any dealing with the local government of Makati City.

"If there are any illegal acts conducted by officers of listed companies that are proven true, this could have an impact on any application for listings of such company in the context of our suitability rules. If there will be continuous disclosure violations by any company that will be established by the exchange after the conduct of its own investigations and affording due process, they will also be subjected to penalties as provided by the PSE rules," Sicat said.

Profit-taking pulls market lower

THE LOCAL stock barometer pulled back below 7,300 yesterday as the recent run-up attracted profit-taking as index heavyweight Philippine Long Distance Telephone Co.'s third-quarter results fell below expectations.

The Philippine Stock Exchange index (PSEi) lost 90.84 points or 1.24 percent to close at 7,222.01, tracking lackluster trading across most Asian emerging markets. Across the region, investors weighed a gloomy economic data in China alongside Japan's new economic stimulus.

At the local market, all counters were in the red but the biggest decliner was the services counter (-2.07 percent), weighed down by PLDT (-3.49 percent), which reported a 7-percent decline in core third-quarter net profit on lower

margins and cut its full-year earnings guidance.

The property counter also slipped by 1.02 percent.

Value turnover for the day amounted to P8.5 billion. There were 57 advancers, which were overwhelmed by 128 decliners, while 42 stocks were unchanged.

Joseph Roxas, president of Eagle Equities Inc., said the run-up toward 7,300 had triggered some correction.

Universal Robina Corp. and SM Prime also weighed down the index, both declining by more than 2 percent, while Alliance Global Group Inc. also dropped by 1.95 percent.

Bank of the Philippine Islands, Bloomberg, Metrobank, Ayala Land Inc., Ayala Corp., Petron, BDO Unibank, Energy Development Corp. and International Container Terminal Services Inc. also slipped.

Doris C. Dumiao

Weak PLDT performance dampens index

Philippine share prices sagged on Tuesday as index heavyweight Philippine Long Distance Telephone Co. dragged the benchmark index down with its unexpectedly-low third quarter earnings.

The Philippine Stock Exchange index (PSEi) plunged 1.24 percent or 90.84 points to end at 7,222.01, while the broader all shares index tumbled 0.98 percent or 42.04 points at 4,244.30.

It was a disappointing performance for the PSEi following Monday's return above the

7,300 level for the first time in over a month. Analysts were expecting the bellwether index to ride high on the momentum on Tuesday.

Joyce Ramos, analyst at AB Capital Securities Inc., said PLDT's earnings result immediately made its impact to the local market upon its release in the afternoon. Prior to that, Ramos said the market's morning trading was still healthy.

PLDT's share prices fell 3.49 percent after it suffered a 14-percent net income decline in

the third quarter.

Ramos said the drop was unexpected for most investors, which is why the outcome was immediately felt in local share prices.

All counters finished in the red, led by the services firms which plummeted by 2.07 percent or 46.32 points. PLDT's weight to the services counter accounts to about 48 percent.

Market breadth was negative as decliners crushed advancers, 128 to 57, while 42 stocks were unchanged. Turnover value stood at P8.51 billion.

BIR tightens tax rules on stock options

By Mikhail Franz E. Flores, *Reporter*

THE BUREAU of Internal Revenue (BIR) has clarified the tax treatment of stock option schemes as part of continuing efforts to plug loopholes in administration.

Defining this scheme as an option entitling persons to purchase shares of stock of a corporation for a specific price at a specific date or period, BIR said in Revenue Memorandum Circular (RMC) 79-2014, dated Oct. 31, that “the grant, sale, transfer, or exercise” of stock option “may result in taxable events.”

DEFINING LIABILITY

“This is with regard to what are the tax liabilities of people who were granted option as compensation or consideration for services and the people who grant these options: when do they become liable, how much they are liable for and what are the taxes due?” Internal Revenue Commissioner Kim S. Jacinto-Henares said in a text message yesterday.

Describing RMC 79-2014 as a “more in-depth clarification on stock options and the tax consequences,” Ms. Henares said the issuance seeks to “make sure compensation and consideration paid via stock options and revenue from the exercise of the option are properly taxed in a timely manner.”

A private tax professional said RMC 79-2014 amended RMC 88-2012, dated Dec. 27, 2012, with new guidelines that specified tax treatment of grant of stock options.

The latest issuance said an employer cannot claim deductions if the stock option was given to an employee without any payment.

“However, if the option was granted for a price, the full price of the option shall be considered capital gains, and shall be taxed as such,” the issuance said.

The stock option is likewise subject to documentary stamp tax (DST).

On the other hand, the sale, barter, or exchange of stock options is likewise subject to capital gains tax. If the option was granted without any consideration, capital gains will be zero-based but will be treated as a donation subject to donor’s tax. “The basis shall be the fair market value of the option at the time of the donation,” BIR said.

In exercising an option, a rank-and-file employee’s stock option will be considered as additional compensation and will be subject to income tax and withholding tax on compensation.

On the other hand, a supervisor or manager’s stock option will be treated as fringe benefit and subject to fringe benefit taxes.

A stock option granted to a supplier will be considered additional payment for services

rendered or goods supplied and will be subject to withholding taxes and other tax treatments that are applicable.

Meanwhile, a stock option granted to a non-supplier and non-employee will be treated as a donation subject to donor's tax.

Rules on equity settlement, BIR said, likewise applies to cash-settlement options.

'NOT NORMALLY REPORTED'

Sought for comment, Geraldine C. Esguerra-Longa, Tax Services executive director of Isla Lipana & Co., noted in a telephone interview that RMC 79-2014 is "more comprehensive" than RMC 88-2014 in defining tax treatment of stock option plans.

For one, the latest revenue issuance now details the tax treatment for the grant of option by an employer to an employee as well as the sale or transfer of an option.

Ms. Esguerra-Longa also said the tax treatment of the stock option exercise based on the rank of an employee also clarified the previous issuance, which did not take position into consideration.

"Classification will now really depend on the position of the employee, regardless of the nature (of the grant of stock option)," Ms. Esguerra-Longa said.

She likewise noted the additional reportorial requirements that should be submitted to the BIR, saying this could be a way to plug revenue loopholes since stock option exercises "are not normally reported" to tax authorities.

BIR collections reached P996.426 billion as of end-September, P79.639 billion or 7.4% short of its P1.076-trillion target for that period though still up 10.97% from the P897.951 billion collected in the comparable nine months of 2013.

The bureau -- which accounts for about three-fourths of the state's total tax collections in a year -- is mandated to collect about P1.456 trillion for 2014.

With its latest tally, the bureau still needs to collect P459.574 billion from October to December to meet its full-year goal.