Maritime regulator seeking Budget dep't approval to triple staffing levels

THE Maritime Industry Authority (Marina) is seeking the approval of the Department of Budget and Management (DBM) to expand its staffing by 2,000 from the current 1,000.

"We have forwarded this to the DBM, we presented to them our structured and proposed plan. I gave them a timeline, if this will not be approved by the DBM maybe we will include this proposal to the comprehensive Marina bill," Sonia B. Malaluan, Marina administrator, said on the sidelines of a briefing on Tuesday.

Ms. Malaluan said the expansion will be driven by the agency's plan to establish extension offices.

"If the DBM cannot approve this, maybe we need a law as well. But I am giving it time, if by next year they cannot act on this then we can move to a law to provide these," Ms. Malaluan said.

Marina is also seeking the passage of the Comprehensive Shipbuilding and Ship Repair Development Bill, which will promote investment and ensure the development of a viable shipbuilding and repair industry.

"The expansion to regions, the strengthening of our regional offices (aims) to provide services closer to our clients and stakeholders. We want to have extension offices," she said.

Ms. Malaluan said under this proposal, Marina's central office in Metro Manila will focus on policy, promotion, and developmental projects.

"We are still in the process of an organizational structure plan. We submitted one to DBM in 2021, and it was returned in 2022," Ms. Malaluan said. — **Ashley Erika O. Jose**

Philippines expected to ratify South Korea FTA by midyear

By Justine Irish D. Tabile
Reporter

THE PHILIPPINES could ratify the free trade agreement (FTA) with South Korea by the middle of the year, with no issues expected to arise from the deal, according to the Department of Trade and Industry (DTI).

Trade Undersecretary and Board of Investments Managing Head Ceferino S. Rodolfo said the timeline takes into account the runup to the South Korean elections.

"The timeline (for the ratification) that we are looking at is by the middle of this year ... Because South Korea is also preparing as they have an upcoming election," Mr. Rodolfo told reporters last week.

South Korea will hold parliamentary elections on April 10 to select a new 300-member National Assembly, the country's unicameral legislature.

The Philippines and South Korea signed the free trade deal in September after four years of negotiations.

Under the Philippine Constitution, international agreements and treaties require the concurrence of two-thirds of the Senate for ratification or to be effective.

Senate President Juan Miguel F. Zubiri has said that the FTA was likely receive ratification in January this year. However, the Senate has not yet sponsored a resolution to ratify the agreement.

Asked if there are possible snags, Mr. Rodolfo said both sides produced a focused deal acceptable to both sides.

"We don't expect any issue because the FTA with South Korea is very targeted and focused. And we know what we want and we also know what they want," Mr. Rodolfo said.

"And we are also preparing ahead of it. For example, we are already tweaking the incentive regime for plantations so that the companies can take advantage of it," he added.

Under the FTA, the Philippines will be granted tariff elimination on 1,531 lines of agricultural goods, of which 1,417 lines will be removed upon entry into force (EIF) of the bilateral FTA. Among the Philippines' top goals are the export of more bananas, processed pineapple and other fruits to South Korea.

Meanwhile, the FTA also led to tariff elimination for 9,909 lines of industrial goods, of which 9,747 lines are set for tariff elimination upon EIF as South Korea seeks to expand its automakers' footprint in the Philippines.

"The Embassy of the Republic of Korea in the Republic of the Philippines is very active in terms of development and technical cooperation," Mr. Rodolfo said.

"This is not just on FTA, these cooperation activities that would allow us to take advantage of the FTA are already being undertaken ahead of the FTA," he added.

The DTI entered a partnership with Korea Institute for Advancement of Technology to develop an origin management system and an artificial intelligence-enabled harmonized system (HS) classification tool that will enable exporters to determine the HS codes for their products.

The partnership will run until December 2025 and is known as the Origin Management System for the Promotion of FTAs in the Philippines project.

EDSA Busway bidding seen possible next year

THE Department of Transportation (DoTr) is confident it can bid out the Epifanio delos Santos Avenue (EDSA) Busway project next year.

The timeline was disclosed after the DoTr made good time on the signing of the Ninoy Aquino International Airport (NAIA) public-private partnership (PPP) project last month.

The NAIA PPP project is considered the fastest project to progress from submission to investment coordination committee approval to concession agreement signing.

Transportation Undersecretary Timothy John R. Batan said the signing of the NAIA PPP project sets a precedent for the agency's other projects.

"(The NAIA PPP) is our fastest. Of course, we try to work as much as possible to push as much as we can to match that, if not faster. But of course, each project is different," Mr. Batan told reporters.

Currently, the DoTr is finalizing the feasibility study on the bus system, Mr. Batan said.

"We just had the market sounding which is part of all PPP projects. So, within the next few months we'll finalize the EDSA Busway feasibility study," he said.

In February, the PPP Center and the DoTr said they had conducted the initial market sounding activity for the EDSA Busway project.

The DoTr said it is hoping to privatize the EDSA Busway via a solicited bidding scheme similar to that of the NAIA PPP project.

In October, the DoTr said it expects to start the bidding for the EDSA PPP project in 2025.

The EDSA Busway Project involves the financing, design, construction, procurement of low-carbon buses, route planning, and operations and maintenance of the busway.

Last year, the PPP Center and the DoTr signed a technical assistance agreement for the provision of project preparation and transaction advisory services.

Once finalized, the study will be forwarded to the National Economic and Development Authority (NEDA) for approval to officially commence with bidding.

"We'll submit this to NEDA, similar to what we did with the NAIA PPP. We will get approvals and then we will eventually bid it out," Mr. Batan said. — **Ashley Erika O. Jose**

CREATE MORE's WFH features seen attracting talent to IT-BPM industry

AN AMENDMENT permitting alternative work arrangements under a law designed to revive the post-pandemic economy will help attract talent to the information technology and business process management (IT-BPM) industry, an industry official said,

IT and Business Process Association of the Philippines (IBPAP) President and Chief Executive Officer Jack Madrid said the amendment to the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act allowing IT-BPM employees to work from home will also help in employee retention.

"IT-BPM companies would be able to implement flexible work arrangements, preferred by employees and some employers," Jack Madrid told *BusinessWorld* in a Viber message. "This work flexibility also helps with employee attraction and retention."

The government had denied an industry request to allow flexible work arrangements, citing rules making availment of incentives dependent on the performance of on-site work in economic zones.

CREATE MORE (CREATE to Maximize Opportunities for Reinvigorating the Economy) provisions allow IT-BPM companies to enjoy tax incentives at the discretion of investment promotion agencies, which can decide to approve work-from-home (WFH) arrangements.

"IBPAP has long been advocating for the amendment of Section 309 of CREATE to achieve work flexibility for our employees without affecting fiscal incentives (for companies)," Mr. Madrid said.

"Registered business enterprises in the Information Technology Business Process Outsourcing sector... may be allowed to conduct business under alternative work arrangements which shall not cover more than 50% of the total workforce or total hours," according to CREATE MORE's amended Section 309.

Mr. Madrid said "the future of work" is about flexible work arrangements. "It has been well proven that the services being performed by our 1.7M strong workforce can be done in a hybrid work environment."

He added that the industry's main challenge "is finding enough skilled talent to meet demand."

Other measures to ensure talent keeps flowing include "unlocking scholarship funds from TESDA (Technical Education and Skills Development Authority) and DICT (Department of Information and Communications Technology)" to address the need for technical talent.

The IBPAP recently signed skilling agreements with Microsoft Corp.

IBPAP is expecting the industry to create an additional 1.1 million jobs by 2028, expanding its total workforce to 2.5 million come that year, Mr. Madrid said, according to the industry's aggressive growth scenario. — **Kenneth Christiane L. Basilio**

OPINION

2024 trends for financial institutions

IN BRIEF:

- *This year, firms continue to prioritize consumer impact, ESG, digital assets, the digitalization of finance and use of AI, financial crime, and operational resilience.*
- *An institution-wide approach is imperative for business strategy, governance, and risk management, which involves setting clear targets and supporting sustainability disclosures.*
- *There will be increased regulatory scrutiny on board and management oversight in various areas, including senior leadership compensation and culture, and whether these align with stakeholder goals and the firms' fiduciary duties.*

SUITS THE C-SUITE
CHRISTIAN G. LAURON *and* **JANETH T. NUÑEZ-JAVIER**

A focus on people, processes, data and technology will position firms to succeed in a tumultuous — but opportunistic — regulatory environment.

This year, the global financial services landscape will be impacted by factors such as volatile geopolitics, rising energy costs, and rampant inflation. The spillover regulatory effects from high-profile bank failures in 2023 will also be felt this year and beyond, but they are not entirely unfavorable.

For example, more global regulatory reforms are taking shape to address the impact of the TBTF dilemma, or the perception that "the banks are too big to fail." This theory refers to the situation where interconnected financial institutions have grown so large that their collapse could severely impact the entire financial system.

The 2024 EY Global Financial Services Regulatory Outlook Report highlights areas of longstanding regulatory interests. Among the priorities discussed, this article will explore five trends for banks and financial institutions.

DIGITALIZATION OF FINANCE AND INTEGRATION OF AI

With digitalization becoming the norm, some firms are struggling to update legacy systems, leading to greater regulatory scrutiny. This challenge will impact not only banks but also other institutions. Consequently, regulators will raise their standards of operational resilience, particularly in areas like technology. Doing so requires firms to reduce deficiencies in IT outsourcing, IT security, and data governance.

Financial regulators are looking to implement new rules for better control and ethical use of artificial intelligence (AI). Adopting responsible AI practices bolsters customer trust and strengthens a company's reputation, setting it apart from its competitors. This strategic positioning can unlock growth opportunities and drive long-term success.

INCREASING IMPORTANCE OF ESG

There is greater regulatory oversight on environmental, social, and governance (ESG)-related reporting and disclosures as well as climate-risk management and stress-testing. Financial regulators worldwide are focusing on net-zero transition planning, with a growing supervisory focus on carbon markets and greenwashing risks.

In 2023, the International Sustainability Standards Board (ISSB) issued disclosure standards with the goal of harmonizing sustainability reporting. The Philippines is one of the countries planning to adopt these standards.

The significant decline in the variety and variability of life forms on Earth, also known as biodiversity loss, is also posing a systemic risk to economies and financial systems. This phenomenon encompasses the reduction of species, genetic diversity, and natural habitats on the planet. With the ISSB identifying it as an upcoming focus area, biodiversity loss is expected to receive increased attention.

Regulators require firms to have concrete plans to manage their financial risk exposure as they transition to net-zero. Net-zero targets will require an organization-wide transformation, a robust plan that considers biodiversity and climate-related risks, and a flexible roadmap for firms to enable these changes.

An institution-wide approach should incorporate business strategy, governance, and risk management when setting clear targets and supporting sustainability disclosures. Firms should also invest in ESG training for key personnel.

ADOPTION OF OPEN FINANCE AND CROSS-BORDER PAYMENT INTEGRATION

Several jurisdictions are developing open finance frameworks, such as the European Union, Australia, Hong Kong, Indonesia, the Philippines, and Brazil. Additionally, they have adopted a regulatory-driven approach for open finance. As such, a global standard may be necessary to avoid regulatory fragmentation. Open Finance regulation will require firms to set up multi-year strategic, operational, and technological transformation programs.

In the Philippines, the Bangko Sentral ng Pilipinas (BSP) launched its Open Finance Pilot project in 2023 and updated its Open Finance roadmap. More and more jurisdictions worldwide are expected to adopt and expand their Open Finance frameworks to facilitate seamless cross-border transactions. One example of a recent model for collaboration in the financial sector is the linkage of Singapore's PayNow with India's UPI and Thailand's PromptPay.

PERSISTENCE OF FINANCIAL CRIME AND FRAUD

Addressing financial crimes remains a priority for regulators. The increase in scam payments requires new tools and regulatory compliance mechanisms. Firms may need to consider using more sophisticated technologies, such as AI-powered solutions, to enhance digital transaction security and anti-money laundering (AML) efforts.

Given the global nature of financial crimes, various regulators and governments are working together to expand AML measures. In 2023, firms faced supervisory scrutiny over AML violations as authorities intensified economic sanctions and re-evaluated the oversight of politically exposed persons.

While technology is creating new types of threat, it also offers new tools in the fight against financial crime. Fraud and investment scams, especially at the retail level, are pushing customers toward risk-taking behavior. Bank transfers account for most scam payments, requiring critical monitoring and analysis. Crypto crime prevention and regulatory scrutiny will continue to surge, and firms in other industries will need to adopt data and AI solutions for financial crime compliance.

BOARD AND MANAGEMENT OVERSIGHT

Several regulators released post-mortem analyses on 2023's bank failures, highlighting the need for timely and comprehensive resolutions — a goal some banks failed to achieve. Consequently, boards must possess a thorough understanding of their policies, systems, and controls to identify and address risk management challenges and oversight weaknesses.

Firms must consider whether their performance and incentive structures work and whether they are aligned with stakeholder goals and the firms' fiduciary duties. Furthermore, they should also consider board and management oversight issues from a new perspective, instead of relying on established practices.

NAVIGATING THE REGULATORY ENVIRONMENT

Given the ever-evolving nature of the financial landscape, firms will need to prioritize consumer impact, ESG, digitalization, financial crime, and operational resilience. By focusing on people, processes, and technology, firms can maneuver and leverage the tumultuous — but opportunistic — regulatory environment.

Next week, we will discuss critical areas that financial services firms need to prioritize in the age of digitalization and AI.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the authors and do not necessarily represent the views of SGV & Co.

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