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## **PRESS RELEASE**

### **5 March 2018**

## **PCC adjusts thresholds for compulsory M&A notifications**

The Philippine Competition Commission (PCC) has recalibrated the thresholds for required notifications of mergers and acquisitions after careful evaluation of the actual notifications to date and to keep pace with recent developments in the economy.

In its Memorandum Circular No. 18-001 released today, PCC raised the new thresholds to P5 Billion for the Size of Person and P2 Billion for the Size of Transaction as defined in the Implementing Rules and Regulations.

This is the first time PCC has adjusted the thresholds since the Philippine Competition Act was enacted with the P1-Billion default threshold. MC 18-001 also establishes the automatic adjustment of the threshold every year beginning March 1, 2019 based on the official estimate of the nominal Gross Domestic Product (GDP) growth of the previous calendar year rounded up to the nearest hundred millions.

“The adjustment stems from various considerations, including the size of actual notifications to date, the country’s economic growth, overall inflation, and efficient use of the Commission’s limited resources,” PCC Chairman Arsenio M. Balisacan said.

“The annual adjustment based on nominal GDP growth ensures that the thresholds maintain their real value over time and relative to the size of the economy,” he added.

The PCC will continue to conduct regular monitoring of the M&A notifications and will revisit the threshold level periodically to make sure it is responsive to changes in the markets and the economy.

The thresholds are used to determine if a transaction triggers premerger reporting requirements to the PCC. Under Section 3 of the Implementing Rules and Regulations, parties to a transaction must notify the Commission if they satisfy two tests: Size of Person and Size of Transaction.



The Size of Person refers to the value of assets or revenues of the Ultimate Parent Entity of at least one of the parties, while Size of Transaction refers to the value of the assets or revenues of the acquired entity.

To date, PCC has received 152 notifications (equivalent to 134 transactions) and approved 125 transactions worth a total of P2.25 Trillion, while others are in different stages of review. Majority of these came from the manufacturing, financial, electricity, real estate and transportation sectors.

PCC finds it reasonable to increase the initial threshold provided by the Philippine Competition Act and its Implementing Rules and Regulations.

“Adjusting the thresholds requires a delicate balance to make sure that it’s not too low as to create an undue burden on business, and that it’s not too high that transactions with potential anti-competitive effects in the market evade the scope of mandatory antitrust reviews,” Balisacan said.

The new thresholds will be effective fifteen (15) days after its publication today. The revised thresholds will apply to M&A transactions with definitive agreements executed after the effectivity of the memorandum circular.

They do not apply to mergers or acquisitions pending review by the Commission, notifiable transactions consummated before the effectivity of the Memorandum Circular, and transactions already subject of a decision by the PCC.

MC 18-001 Link: <https://www.phcc.gov.ph/pcc-memorandum-circular-18-001-amendment-rule-4-section-3-implementing-rules-regulations-republic-act-no-10667-threshold-adjustment/>

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