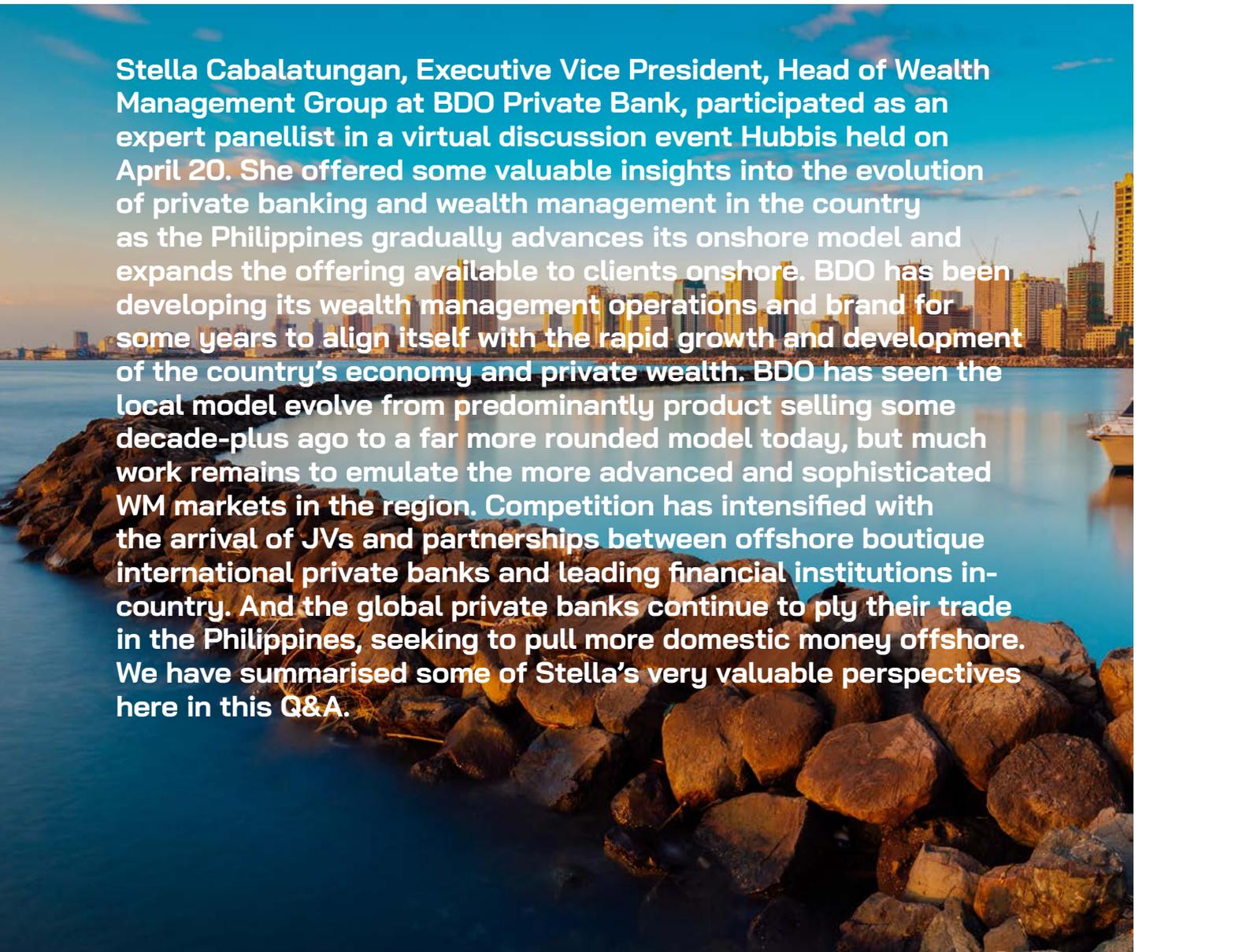


BDO's Head of Wealth Management Surveys the Domestic Market Evolution



Stella Cabalatungan, Executive Vice President, Head of Wealth Management Group at BDO Private Bank, participated as an expert panellist in a virtual discussion event Hubbis held on April 20. She offered some valuable insights into the evolution of private banking and wealth management in the country as the Philippines gradually advances its onshore model and expands the offering available to clients onshore. BDO has been developing its wealth management operations and brand for some years to align itself with the rapid growth and development of the country's economy and private wealth. BDO has seen the local model evolve from predominantly product selling some decade-plus ago to a far more rounded model today, but much work remains to emulate the more advanced and sophisticated WM markets in the region. Competition has intensified with the arrival of JVs and partnerships between offshore boutique international private banks and leading financial institutions in-country. And the global private banks continue to ply their trade in the Philippines, seeking to pull more domestic money offshore. We have summarised some of Stella's very valuable perspectives here in this Q&A.

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STELLA CABALATUNGAN
BDO Private Bank

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Can you give us just a very brief introduction to BDO Private Bank?

BDO Private Bank emerged out of the sale of Banco Santander’s local operations to BDO in 2003, and at that time, BDO began with treasury and brokerage type products, and since then, we have been building out a much broader product and service proposition to include the typical range of services most private banks aim to provide clients these days, including wealth structures, discretionary asset management, estate and legacy planning, and so forth.

BDO Private Bank stands on its own as a regulated unit, and we are today the clear leader amongst domestic banks here; we have our own annual report, our dedicated corporate mission and an independent board overlooking us; it is all highly organised and transparent. In short, I can say we are at the forefront of this industry here, and, hopefully, we are going to move closer and closer to the global standards, although we still have some way to go.

What do you see as the market evolution in terms of demographics?

The Philippines, being a Catholic country, has enjoyed dramatic population growth, and still is, driving the demographics forward, which is of course driving the economy and private wealth generation. The bulk of the Philippines population is below 40 years old, and domestic consumption is still the major engine of GDP growth. We are heading toward a very large middle class, the mass affluent segment is rising, and we are growing the domestic wealth industry to attract more HNW and UHNW wealth back onshore. In short, there is immense opportunity ahead.

What have you been focusing your attention on since the pandemic hit early last year?

Well, I can say, particularly for BDO Private Bank, is that 2020 was a very good opportunity for us to further develop our trust business and develop more trust structures for our customers, an area which we have always been wanting to increase but was quite challenging. Because looking at Asia, and particularly in the Philippines, it is not a very mature market, so people here have been more transactional rather than thinking about wealth management in the wider context of estate planning and trust structures for the transition of wealth down the family generations.

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What are some of the obvious challenges that you continue to face in terms of maybe developing that opportunity faster?

Well, actually, the regulations in the Philippines make it very difficult for us to compete with our foreign counterparts, the offshore private banks. The regulations do not allow us to do as much as others can, so our competitive edge is limited by regulation. But in my case, at BDO Private Bank, I am lucky because I am a subsidiary and I am a part of a bigger bank, which is BDO Unibank, and there are different other business units that support me, other than

architecture platform, and we are able to somehow compete in that manner by using all the vehicles that are available to us in the market and also within the significant and expanding BDO universe. But we do concede that this makes things more complicated and difficult for us, which in turn makes it somewhat expensive also for us and also sometimes for our customers. But I guess this is something that we have to make do with and we just have to be more creative in finding solutions on how to develop and to service the market effectively with all these limitations. We also hope the market liberalises further, of course.

pandemic hit. They have involved their children more now in their affairs and in the management of their assets, which I think is consistent with the broader industry here, as customers have realised that they cannot forever manage and control their wealth. So, across the board, even with our ethnic Chinese customers who used to be really wary of letting go of control in terms of their businesses, we see them now becoming more and more open and allowing their children to actively participate now in the management of their affairs, which is a very good sign.

But having said that, as a bank, we also have to move forward in terms of technology because the younger generation will no longer be looking for hard copies of statements and confirmation advices; they will want rapid, digital delivery of information and reports, they would want a portal where they can access at any time of the day to view and assess their assets held with the bank. So, we have to move forward and also to be more advanced now in the way we do business with our customers, and that means improving internal processes, approaches and enhancing digitisation.

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other service providers. So, things that we cannot do via trust, we can do through the brokerage vehicle, which we use for directed investments and offshore funds, and other offshore bonds. Then for the local funds, we can do that via the trust structure as a managed portfolio through our trust department.

We try to marry all of these services using our open

Given the demographics in the Philippines, as you mentioned earlier, what in particular are you working on to make your proposition more interesting or relevant to the next generation clients?

We have seen many of our customers becoming more open-minded, especially since the

When you consider the word ‘advice’, where do you think you can add value?

In terms of advice, it encompasses not just liquid assets or investments in banks or fixed income securities, we cover real estate also, advice on the management of other assets, but only in the Philippines, I mean, limited to assets in the Philippines due to regulations.

We also give advice in terms of basic taxes, in terms of trust structures and documentation with the customers, and also for the identification of beneficiaries and trustors; these are very valuable areas where the customers can come to us for advice. However, we also require our customers to consult their own lawyers for validation.

Our expertise and skills are not just limited to investments; we go beyond that because we want to elevate the level of our service from just being transactors or brokers. We want to adopt and offer a more holistic approach when we come to our customers and see a much broader picture of wealth management. We hope that with the advice that we give, and the structures that we are able to provide in terms of estate plans, this will be a tool for us to deepen the relationship with our customers; it goes beyond pricing, it goes beyond rates, yields, we have to move higher in terms of the level of service now, and the skills and expertise we project. I do not want to be competing with Bank A, B or C in terms of a brokerage fee or a trust fee or the price of a bond. We want to elevate the offering and our value far beyond that.

Do local private clients show much interest in sustainability, ESG and impact investing?

Well, the level of awareness of the Philippine clients is improving in terms of ESG. But obviously, they are not as aware or as particular as investors in other countries, but people are getting more into it now. There are some who are very particular about the kinds of investments they would ask for or that they will look into, but realistically we are not as sophisticated yet, as most countries would be. There are some investments people will steer clear of, for example companies that engage in gambling or which they clients consider to not be in very appropriate sectors. We see ESG growing in relevance and interest here, but from a very low base, so there is much work to be done ahead.

More broadly, what are some of the investment approaches and themes that you think have proven to be particularly engaging with Philippine clients at the moment?

Well, clients are still looking for income generating types of investments, Asian high yield

investments, funds, ETFs, and so forth, and we've worked very closely with a lot of our service providers on such themes and ideas. Green energy is one theme that resonates with the Millennials, for example, and they are also highly focused on technology, which they understand well.

What do you intend to do this year to enhance your platform or offering for clients?

Our strategy is still the same, we will continue to develop the trust business, we have the scale. In terms of the private bank market locally in the Philippines, we are the biggest private bank, so we have a very big customer base, and we will keep really working hard to upgrade the service that we provide. Then in terms of technology we are embarking on an enterprise-wide upgrade in terms of technology, we are talking to Avaloq, and we wish to use the same platform also across the enterprise in terms of statements, in terms of access via the portal. In short, we're investing more in technology now than ever before; we recognised that this is the future, and we need to boost our internal processes and efficiencies and at the same time deliver an enhanced user experience and simplicity and high-level engagement for the clients. ■

