

Private Wealth Management in the Philippines: Adapting at a Time of Change

A group of local and international experts at the first of our four panel discussions of the Hubbis Philippines Wealth Management Forum considered some of the critical changes taking place in the global and regional Asian wealth management industry, discussed how the Philippines' competitive landscape is changing, and how local firms can adapt to secure their future success.

These were the topics discussed:

- What can you do to improve the value proposition in wealth management?
- What does the current revenue mix of wealth managers in Asia look like? How is it changing?
- How has AML changed the Onboarding Process in the Philippines?
- What changes are we seeing in client expectations and behaviour?
- Where will the continued growth come from and what are your priorities?
- How do clients want to be serviced today?
- How can you get the right people and proposition in front of the right clients?
- The opportunities to collaborate and partner with international firms?
- How important is digital today?
- What are the main investment themes and the products that resonate with clients today?
- What's the future of Discretionary and Advisory Portfolio Management in Asia?
- Offshore / onshore. Where is the long-term opportunity?

PANEL SPEAKERS

- **Albert S. Yeo**, President, BDO Private Bank
- **Maria Paz A. Garcia**, Chief Risk & Compliance Officer, Risk Management & Compliance, BPI Asset Management & Trust
- **Robin Heng**, Global Market Head - Philippines, Australia, Indonesia and Thailand, Bank of Singapore
- **Christian Senn**, Managing Director, Market Group Philippines Market, Credit Suisse Private Banking
- **Valerie Pama**, President, Sun Life Asset Management
- **Philipp Piaz**, Partner, Finaport
- **Malik S. Sarwar**, CEO, K2 Leaders



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THE KEY TAKEAWAYS

Not enough products

A key challenge for local private banks in the past has been the lack of products, which drove clients offshore, especially to nearby Hong Kong. Local private banks and the international competitors moving onshore are intent on offering an open platform and as many new products as the regulators might permit.

Regulation behind the curve

But regulation lags the market needs and the regulators continue to be highly cautious in opening the market to a wider array of products.

Massive market potential

The Philippines has both a huge and a very young population, the third youngest in Asia. GDP growth is robust, and the country is increasingly international.

Real estate propels activity

Looking around SE Asia, most of the private banking expansion in the past 30 years has been driven by personal wealth created also from real estate and the general feeling of confidence. The Philippines is in this phase currently, auguring well for the wealth management market.

Moving onshore

This is also why more international banks are moving onshore, rather than sticking to their old models of flying bankers in and out.

EAM model has merits

The EAM model that has worked well in Europe and the US is gradually being better understood in Asia. The concept of an EAM aligned closely to the clients, who they know extremely well, and then working through a variety of wealth management providers for products and services is rising in prominence.

Clients need people

There is a shortage of wealth management expertise in every market in Asia, and this is especially true in the Philippines. Banks need to work on smart solutions and multiple touchpoints, as relying on RMs and sole relationships with their clients to move their businesses forward will result in disappointment.

Insurance follows omni-channel

The life and health insurance companies are diversifying their distribution models, enhance the diversity of sales through their agents, through bank distributors, and increasingly via online Fintech companies.

Wealth planning

Family planning might be an awkward concept in the devoutly Catholic Philippines, but family wealth planning is both needed and a key service some private banks are pushing, especially as wealth is growing so fast and the older generations of 70 and above still hold so much of the country's private wealth.



A PANELLIST OPENED THE CONVERSATION BY noting that a key challenge for local private banks in the past has been the lack of products, according to one local expert, which drove clients offshore, especially to nearby Hong Kong. A major thrust for the industry has therefore been to bring in open platforms.

“Money is fungible,” he said, “and high-wealth clients can have their funds managed anywhere in the world, not only Manila, subject to compliance of course. We have in the past two or more years opened the platform to more international products.”

Regulation behind the curve

“But, of course,” he added, “even though we can now offer some products that otherwise might only have been available offshore, it is still the case the regulation lags the market needs.”

Picking up on the regulatory concerns, another local expert commented: “Yes, this discussion has been going on for years, and there are in fact some positive developments. The collective investment schemes law has not been passed yet, but there are improvements from the SEC regarding mutual funds, especially the feeder funds to overseas assets, allowing more diversification, although most of the investments as yet remain in onshore assets.”

Massive opportunity

“The Philippines market is a fascinating market,” said another expert. “You have a huge population and a very young population, the third youngest



VALERIE PAMA
Sun Life Asset Management



MALIK S. SARWAR
K2 Leaders

in Asia, which augurs well for the market in the next decade. As an offshore bank, we believe that the offshore market will benefit considerably from this expansion, as well as the onshore market.”

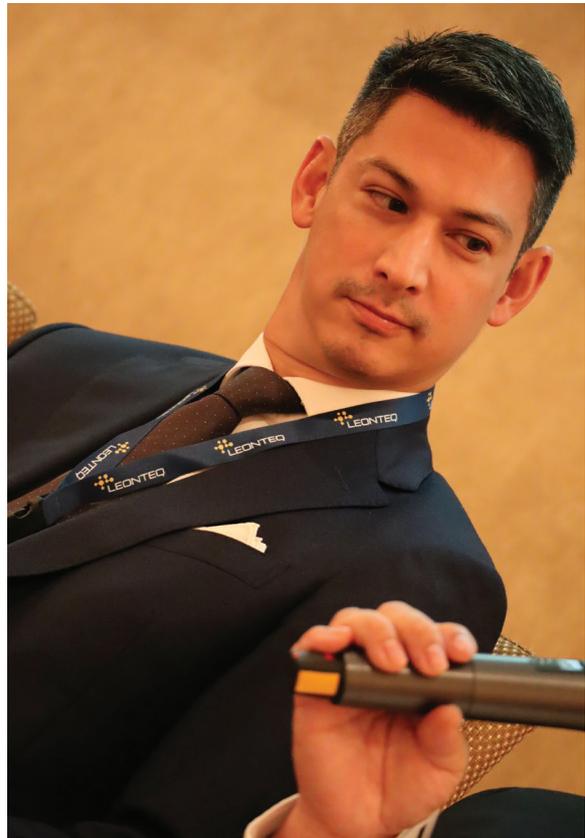
Stepping back from the immediate market potential, he also observed that the arrival of Big Tech and fintech competitors, armed with their digital expertise, will be challenging for the incumbent players.

Real estate drivers

Another perspective was offered by a banker who commented that private banking’s bellwether in Asia has been the property markets. “Compared with most of the major ASEAN markets,” he noted, “the Philippines real estate market is a lagging real estate market which has enjoyed a tremendous curve to the upside in the last few years, which will result in greater cash available, as people sell, as REITs list. Combine this with the fact that the average HNWI here is about 70 years old - about double the equivalent age in China - and it goes without saying that we have to collectively solve the dilemma of wealth planning and wealth transfer. The creation of wealth is moving faster than the experience to manage it, and that asymmetry presents both an opportunity and a duty to properly advise and guide clients.”

Onshoring

And that, he explained, is why some of the major global private banks are no longer relying on the fly-in and fly-out private banking model, but instead developing onshore presence, either directly, or through a partnership with major local institutions.

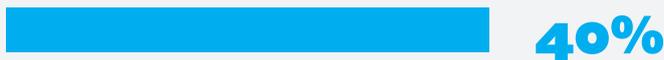


PHILIPP PIAZE
Finaport

“We welcome foreign firms coming into the Philippines because they bring best practices,” said a local professional. “It also helps with the lobbying of the regulators, as they bring that experience to bear here, for everyone’s benefit.”

DO PRIVATE BANKERS GET OVERPAID?

Yes



No



Source: Philippines Wealth Management Forum 2019

Open to independent asset managers

Another perspective emerged from an expert who commented on the relationship between the banks, the external asset managers and the clients.

“The client might decide he does not simply want to buy what the bank says, or offers,” he explained, “but use his own EAM, and this arrangement is tried and trusted in Europe and the US, although in Asia it is relatively new and still gaining traction. The EAM, by the way, is not really selling anything, they are there to buy for the clients and then custodise with the bank.”

“The model works as the EAMs have access to a lot of different banks’ research, access to a lot of the banks’ best products, therefore offering a much larger hunting ground for clients,” he elucidated. “The partnership with the banks is essential. And the EAMs see the banks more as partners than competitors, as the local banks would always have the benefit of having a big local client base, the international banks have their strengths in offshore investments, and the EAMs add to the game by being especially close to the clients.”

“The essence,” he clarified, “of this relationship circle is that we are the clients’ partner in investing, in helping them achieve their goals. Picking a good bank to work with is part of that, picking good products, good strategies, deciding optimal risk levels and so forth.”

The hunt for talent

The discussion moved to the search for and the dearth of talent to move the wealth management model forward in the Philippines. “If we were



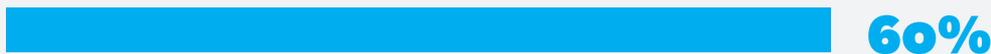
CHRISTIAN SENN
Credit Suisse Private Banking



ROBIN HENG
Bank of Singapore

IS THERE A SIGNIFICANT SHORTAGE OF TALENT IN PHILIPPINES WEALTH MANAGEMENT?

Yes



No



Source: Philippines Wealth Management Forum 2019

trying to find the next 20 to 50 RMs for our model here,” said one expert, “and if that was the only pillar of our strategy, we would fail. So, we approach this differently, recognising collaboration from one RM to the next and offering the clients more than one touchpoint. In the future, the client will have multi-point servicing, and yes, it can mean in some cases depending on how the bank is organised that there are even two RMs involved, in two different locations and that collaboration will be the famous one plus one equals three outcome. In this way, we do not follow a single dependency on the RM. We are certainly increasing our footprint in the Philippines and we will continue to accelerate the collaboration model.”

Expanding the avenues

The distribution of insurance products is another area of evolution in the country, as life and health insurance companies enhance the diversity of sales through their agents, through the bank distributors, and increasingly online Fintech companies. “We are increasingly talking about being omni-channel, with multiple client touchpoints, that is how the market is evolving.”

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said one expert. “You no longer segment your clients simply by demographics, by their income, where they live, but the industry is now also looking at the personas, their feelings, their intent or their motivation.”

“For us,” they explained, “with insurance, asset management and health products we are certainly learning more and more about our clients. One way to make them stickier is to have more than one product with us and having the data that we have, we see that some 70% of our



MARIA PAZ A. GARCIA
BPI Asset Management & Trust



ALBERT S. YEO
BDO Private Bank

clients only have one product from our suite, so there is a huge room to grow organically.”

Wealth planning and the family office

A banker highlighted the opportunity to expand the bank’s family office services. “You hear about heirs fighting publicly, one half of the family fighting, so we know that there is a great opportunity to structure wealth and offer advice more effectively. The amount of wealth you have is not relevant, the structure is the essential element, allowing

you and the family to move from point A to point B smoothly and efficiently. We offer that service and we have been pushing it energetically.”

Going direct

Another banker remarked that their mission is to lighten the load for clients. “Customers shy away from banks that are what I can call painful,” he observed. Accordingly, we are focussing keenly on the ease of banking and also the product platform. Clients of course buy mainstream assets, the funds, bonds, equities, fixed income and so forth, but also nowadays more direct investments, such as investing into companies that have not

yet gone IPO. There are some very interesting names we have worked on in the region, and more coming through in various countries that will be of considerable appeal.”

Democratising wealth, ever so slowly

The final word was on the opportunity. “This is a country of 105 million people and only something like 0.1% of adults are considered affluent or better, so there is a huge opportunity out there. The regulators are gradually getting smarter and opening more international access. And digital is an increasingly important means to enhance the wealth management model.” ■

