

The Philippines Trust Industry: Sights Set on Professionalisation & Democratisation

Maria Paz A. Garcia, Chief Risk & Compliance Officer, Risk Management & Compliance at the Bank of the Philippine Islands (BPI) Asset Management & Trust Corporation in Manila is an investment professional with a mission to help professionalise the wealth management business in her country. She met with Hubbis recently to explain her views on the local trust sector, and also her activities as President of The Trust Officers Association of the Philippines (TOAP), a professional organisation that is committed to uniting, professionalizing, and promoting the trust and investment management industry in the Philippines, which will in turn help bring more of the country's citizens into the savings and investment world.



“LET’S LOOK AT THE BRIGHT SIDE of our business here in the Philippines,”

Garcia begins. “The Philippines has expanded exponentially in terms of economic growth, and the Philippines is still a sweet spot, meaning we still have a lot of growth opportunities.”

However, she notes that there is still less financial inclusion that she would like to see to improve. “The growth does not really trickle down,” she says, “as so much of the country’s wealth is concentrated in the Metro Manila and with the wealthy conglomerates, the big families, and key urban areas. Of course, more middle-class families have also benefitted from the economic growth, but the large sector of society remains yet to benefit significantly from this. There are meanwhile still some political risks here, but despite these risks, overall, we still see huge potential for the Philippines to grow further.”

Financial literacy is another area of development and improvement. For example, Garcia reports that the remittances of Overseas Filipino Workers (OFWs) continue to rise but not enough money is set aside for savings and investments. “We need to encourage our countrymen to embark on small, simple steps for investing, for example, there are some funds now being made available through smartphones to Filipinos for as low as 50 Pesos, which is less than one US dollar. We see a lot of fintech companies now coming in to do that.”

Collaboration improves

Another positive trend Garcia sees is increasing collaboration between the industry participants and the regulators. “The collaboration leads to effective regulations because our regulators now listen

to what the industry really needs and what the client requires,” she comments. “We have seen many new regulations in the past decade favouring the industry, boosting investor confidence and paving the way for the market to improve. These include a wider range of available investment opportunities and greater liberalisation.”

There are nevertheless some stumbling blocks, she concedes. “On the lawmakers’ side here,” she observes, “there remain restrictions, for example being able to participate in regional fund pass-porting because of the non-lifting of the secrecy of bank deposits. Another example is the real estate investments law, which is already present, but is not being used because tax regulations do not seem to attract investors from fully using the REIT law as an investment vehicle. So, while there are indeed a lot of changes, there are still a lot

of improvements that need to be achieved through law- and policy-making that require not only the involvement of the central bank but also of our lawmakers, the Congress and the Senate.

Garcia also highlights the Personal Equity and Retirement Account (PERA) Law which should attract Filipinos to invest and save for their future. Likewise, she noted that the industry has also been lobbying for several changes for the current Philippine pension

system which will benefit a lot of Filipinos especially the younger generation with reforms like portability pension provisions. “

TOAP stands tall

Garcia turns to the role of TOAP. She explains that a central element of the association’s mission is to grow the industry to a level that strives towards international standards. “It began in 1964 and is one of the country’s oldest professional associations in the financial industry,” she reports. “We work closely with the central bank so that prospective regulations and current issues concerning the trust industry are adequately discussed and that the industry evolves in a way that suits the best interest of the investing public.”

The TOAP is currently composed of 37 member-institutions that are licensed by the BSP to perform trust, investment management,

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and other fiduciary functions in the country. The association’s board, in turn, is composed of nine directors from a cross-section of the active trust players in the market, with Garcia acting as President since March 2018.

The association’s missions include responding to the investing public’s changing needs and remaining committed to the client’s interests, advancing the professional growth and development of its individual members, and providing



MARIA PAZ A. GARCIA
Bank of the Philippine Islands

a dynamic and robust environment that's conducive to the growth of the local trust industry.

Pushing for reforms

"The association has also taken upon itself to foster a spirit of proactive cooperation with industry regulators in the development of policies and regulations," Garcia adds. "For example, as we push for regulatory reforms, we have our quarterly meetings with the central bank to express our views and to ensure follow-through on committed actions. We also collaborate with other regulators like the Bureau of Internal Revenue, our tax regulator, and the Securities and Exchange Commission."

For the long-term, the TOAP aims to become the authoritative private-sector association in trust, fiduciary and asset management in the Asia-Pacific Region. In this regard, the association aspires to be a prominent driver and catalyst of change in the fiduciary and financial markets.

"Moreover," Garcia reports, "the association aims to be a major developer of competent, knowledgeable and qualified

Getting Personal

Garcia hails from the Luzon region specifically from Taal, Batangas, an area which she describes as rich with beauty and history. Luzon is the largest and most populous island in the Philippines and is the 15th biggest in the world by land area. It is home to the country's economic and political centre, Manila, as well as to Quezon City, the country's most populous city.

"Both of my parents were from Batangas, where I was born," she explains. "My father also took up Law but sadly he died when I was just 10. My mother was a public-school teacher. I grew up there and later went to the University of Philippines School of Economics in Diliman, before studying law in Ateneo."

Her early career was more on the academic side, working at the UP School of Economics as a research assistant helping her professors in the Policy Research and Science Centre. After completing her law studies, she joined a law firm, started as an associate and later moved to Far East Bank in the early 1990s.

"I first worked for the legal department, but I was with the retail banking sector, so I did work for the branches, the retail banking side. I then moved to Metrobank in the trust department, and that in turn led me to ING Investment Management Philippines, where I honed my investment management skills."

Garcia was fortunate enough to be sent to the ING Business School, learning more about the art of asset management, including risk and compliance. ING Investment Management was then acquired by BPI and operates now as a standalone entity as BPI Asset Management and Trust Corporation. "We are proud of what we have achieved and have a goal to be number one in this industry here."

Married with two grown-up children, her 20-year old son is still at university, and she has a 27-year-old daughter.

When not working in Manila, Garcia enjoys time with the family, swimming and yoga. "To get away from it all, we love to travel, especially to New Zealand where our daughter studies and works now," she remarks. "It is always a great place to visit."

professionals while being trusted advisers of its clients and a keen enforcer of the highest level of ethical standards in the industry. TOAP aims to embody the values of excellence, integrity, teamwork, innovation, leadership, professionalism, and fidelity to clients.”

Seeking efficiencies

Areas Garcia would like to see addressed in the near future include the onboarding process, the KYC, and the AMLA (anti-money laundering) protocol and processes. “Right now, we do not have a centralised database across the industry of all the documents, so if I am a client and I want to deal with a trust department of a bank, then I have to complete all of these forms again, which is a lot of work, including submission of all the supporting documents. Each department I want to use, I have to do it over and over again, and that is just for one institution. If you want to use another bank, another firm, then you need to do it again, and again.”

Garcia says that there are ongoing industry discussions focusing on a repository for a single set of documents that can be shared with all the different institution members, in some form of subscription type arrangement. “However,” she reports, “there are concerns about data privacy, data sharing, and concerns on client poaching, and so forth. In the end, I think it will happen, but not yet.”

Upskilling the industry

Garcia explains some of the key objectives TOAP wishes to achieve in the foreseeable future. “We have in the past year started with our UITF certification programme, aimed at the upskilling of the selling skills of our investment counsellors. Before, it used to be pen

and paper exams done in-house by the different institutions, but now we have synched with what the SEC is doing for its fixed income salespeople and also for its mutual fund salespeople. We are doing certification as an independent body and we are doing it online.”

The objective is not only to upskill those involved in sales but also to enhance the independence and credibility of the training, so that it does not appear that each firm is simply making its own members pass the exam just to be able to sell. “Our online certification sees TOAP as an independent administrator, to give external, objective, third-party verification of the standards reached, working with the central bank in this endeavour.”

Work to be done

TOAP, Garcia notes, “has plenty of other missions in the pipeline, for example participating in deliberations in Congress to ensure that whatever tax changes will be implemented will not hurt the industry too much. “Of course,” she observes, “we understand lawmakers have their objectives, their revenue targets in terms of taxes, but we also try to balance that by

explain the impact on the capital markets, and what will or will not be a positive influence to our investors, especially with an eye on financial inclusion through the broader economy. TOAP will continue to be at the forefront of pushing reforms in the industry.”

PERA Law and the pension arena is another priority. “We are, for example, collaborating with other bodies such as the Fund Managers Association of the Philippines, involved in trust, and the Philippine Investment Funds Association, a mutual funds association.”

Passing the baton, but staying focused

Garcia’s TOAP three-year tenure as Director and President of TOAP is nearing completion. She is pleased with the progress so far, but knows that much more can, and should, be achieved. “The Board does not work together in one office, but we manage to make sure that things are being taken seriously and being followed through both individually and collectively. TOAP directors and officers are highly focused and collaborative, we are a group that gels well together for the common cause.” ■

