

Amando M Tetangco, Jr: Building a collective brand for the banking industry

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (the central bank of the Philippines), at the 40th anniversary celebration of the Bank Marketing Association of the Philippines, Manila, 5 September 2014.

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Congratulations on your 40th anniversary!

For most individuals, forty years of service is already a full career. And in a sense, this is where the Bank Marketing Association of the Philippines stands today: the point where the success of your past meets the eagerness to address the challenges that lie ahead.

If we think back to what it was in early 1974, it was certainly a time of change and challenges. The oil crisis had triggered steep oil price hikes, oil rationing, brownouts and a global recession. And the country was under Martial Law.

Amidst this socio-economic climate, BMAP was established. The objective was to bolster bank marketing which was in its early stages of development.

Back then, there were no online products for the retail market or structured notes for selected clients. Minimum deposit balance was as low as possible and we had those blue shaded 2-peso bills in circulation.

Today, we have found success in institutionalizing the “e” in e-banking while banks offer a multitude of differentiated products for a continuum of differentiated clients. One can now easily pay bills online, withdraw from teller-less machines, just as routinely as transacting across currencies through money changers. And while we no longer have the 2-peso bill, we have 5 and 10-peso coins to go with our New Generation Banknotes.

Certainly, there have been so many changes over the past 40 years. But through it all, one thing has remained constant – the objective of banks to actively market their offerings to the retail and corporate markets.

What has evolved is the menu of products and services that banks offer. These now come in variants that differ in currencies, investment objective, lot size and, cash flow requirements. We talk of defining differing Investment Policy Statements (IPS) for clients who may be assessed as equally suitable for exposure to certain types of risks.

All these reflect a wide variety of bank offerings that are structured to respond to the banking public’s broad range of financial requirements. After all, in a country of 100 million individuals, Philippine demographics signifies opportunities in diversity.

In other words, the marketing message and the delivery of those messages to the banking public can never be static and must continue to evolve. This is your area of expertise. The work of the important-but-behind-the-scenes individuals who craft the message and design the means of delivering those messages to your target markets.

Bank marketing executives form the backbone of the industry’s marketing machinery. And through innovations in marketing financial products and services, you as marketing experts and BMAP as the industry association deserve recognition for contributing to the growth of our banking system.

And indeed, the industry has sustained its growth trend. What is most telling is how much we have become stronger even during the recent period of global financial difficulties.

Among others: total assets of our banking sector have grown by 11.9% a year between 2009 to June 2014, much higher than the 8.2% growth rate between 2001 to 2008. We see the

same pattern with peso deposits: from an annual growth of 11.4% for the period 2001 to 2008, deposit growth rate from 2009 to June 2014 accelerated to 14.3% a year.

The difference is even more pronounced with loans outstanding: it grew 7.6% a year between 2001 and 2008 and moved up at a faster rate of 11.9% annually from 2009 to June 2014. Trust activity also experienced a sharp expansion in recent periods: from Php1.22 trillion in 2008, assets under management of trust entities increased 165% to Php3.24 trillion by March 2013.

The growth rates in both the deposit base and in trust activity tell us that the saving public has confidence in our banks for safekeeping and/or investing their hard-earned personal savings.

This growth is best appreciated when we consider that 6.87 Million new deposit accounts were added in the nine quarters between March 2012 and June 2014. Of this total, 92.4% are accounts with outstanding balances of One Hundred Thousand pesos or less. This highlights the very retail nature of this expansion.

In the end, one can aptly characterize this expansion as public confidence built through targeted messaging and awareness campaigns. Simply put, it is an expansion that cannot unfold by itself without proper marketing of banking products and services.

On this basis, I can say that our banks are successful in marketing their products and services. This is surely a cause for celebration. Congratulations members of BMAP!

Towards One

Towards one brand

I believe that what makes our banking products and services marketable are a set of characteristics that distinguish us from others. This is inherently a “branding issue.”

As more financial products are made available and technology allows us to move beyond national borders, we need to be clear about who we are and what the Philippine banking system stands for.

I believe that this will be a vital component of our efforts to prepare for an integrated ASEAN banking community and the further entry of new foreign banks and foreign investors into our banking sector under Republic Act 10641 and Republic Act 10574 respectively.

The branding characteristics that I have in mind do not pertain to specific facets of products. Instead, I would like to highlight how risk management, good corporate governance and consumer protection can and have made a real difference in ensuring the stability of our banking system. It is this stability that underpins our banks’ value proposition to savers, while providing a viable counterparty for borrowers.

The value of risk management cannot be overstated. In a market where uncertainty and risks are hallmark issues, a bank can only be viable as a two-way agent between savers and borrowers if it is able to effectively manage its risk exposures.

This certainly matters to depositors who rely on banks to keep their savings safe. Products you offer may have bells and whistles; but in the end, they are only as good as your promise to make the underlying funds available when depositors need them.

It matters as well to your borrowers. Your ability to keep the bank operating in a safe and sound manner allows them to build a lasting relationship that supports their entrepreneurial initiatives, services their payment requirements, handles personnel accounts and manages their own corporate savings and investments.

In the end, effective risk management is the skill that allows market stakeholders to operate as a going-concern. This is a skill unique to banks and it must be a success factor that distinguishes the Philippine banking brand from the rest.

Actually, we have achieved such distinction. In the December 2013 report of Moody's, the Philippines was the only banking system rated with a "positive outlook" from among the jurisdictions it reviews. In a recent press statement, Moody's declared that it "maintains positive outlook on Philippine banking system in line with our expectation that GDP growth will remain one of the strongest among emerging-market economies over the next 12–18 months."

For its part, Fitch said that the fundamentals of our banking sector "remain stable as capitalization is high, funding and liquidity is healthy and loan-loss reserves are rising". This is echoed by Standard & Poors which said that "Philippine banks are well positioned to meet the new Basel III requirements, with capital ratios that are comfortably above the regulatory minimum."

Nevertheless, as gratifying as these external views may be, the challenge is still to maintain our strengths and address weaknesses that have been identified. Risk management may provide the technical on- and off-book expertise but this has to be complemented by a strong and unwavering culture of corporate governance. To different entities corporate governance can mean several things; but for banks it may simply boil down to mitigating conflicts of interest.

There are conflicts because savers entrust their savings to the banks while banks must deploy these funds productively. In the end, it is the bank's corporate governance culture that will protect the public's savings from excessive and unwarranted risk-taking.

We accept that banking is a business where products are designed and marketed to the public. But banking is more than just marketing and sales. Its power lies in the information that banks possess. Thus, the crux of the business is, in fact, protecting the integrity of the pre-sale process and a solid commitment to after-sale support.

Banking is a promise to and a relationship with stakeholders. This is built by instilling confidence that the bank is operating prudently. If the business of banking is to be a going concern, the public must believe that the products and services which you market will provide them a better future.

While we know that bankers do not have the unique ability to read tea leaves and accurately predict the future, you are expected to think beyond bottom lines. This should be another hallmark of the Philippine banking brand: a corporate governance culture bar none. This is a perpetual call for leadership, exercising sound judgement so that the public's interests are not compromised... and displaying excellence through responsive service.

This is where the expansion in both the deposit and trust books matters significantly. We take these as signs of continuing confidence in the banking system and we look to BMAP to sustain this trend.

The skill of effective risk management and a commitment to a corporate culture of governance lead us to the third aspect of the Philippine banking brand: that of empowering the financial consumer.

This is an area which does not need much further elaboration before an audience like BMAP. Last year, for instance, you launched the revised "Banking Code for Consumer Protection" which reflects your own commitment to our financial consumers. This should be taken in parallel with the "Consumer Protection Framework" which the Monetary Board recently approved.

Together, these two initiatives suggest that we do not pay lip service to consumer protection. Instead, we now have live frameworks that institutionalize market conduct standards, strengthen the redress mechanism, cultivate financial literacy as an active element of financial well-being and hold stakeholders accountable for their behaviour. The bar is set deliberately high but I know we are all fully committed.

BSP support

Moving forward, the BSP will sustain its collaboration with the industry in crafting policies that raise the bar for banking excellence. We shall pursue this through an environment that enables the development of a distinct brand for the Philippine banking industry.

From our perspective, effective risk management, a unwavering culture of good corporate governance and the empowerment of the financial consumer are the fundamental aspects of our brand of banking. For sure, there are many challenges that lie ahead, but what you have achieved so far gives us confidence moving forward.

Among others, I urge BMAP to sustain its socio-economic service of enhancing the financial literacy of seafarers. This is an important undertaking: to help our modern heroes who faithfully send money to their families here.

I also encourage BMAP and its members to continue promoting the gospel of saving across the country. In particular, I look forward to the continuing promotion and expansion of BMAP's "Kiddie Account Program." I understand that around 526,000 kiddie savings accounts have been opened as of March 2014. I am happy that more children are developing the habit of saving but the challenge is to promote the program to more areas and to reach out to more children. I hope BMAP will continue to push this program forward with greater vigor.

If you recall, we received the country award in 2013 from the Amsterdam-based Child and Youth Finance International or CYFI for having the best financial education program for children that combines curriculum integration of lessons on saving and money management with actual bank campaigns to encourage children to save in banks. If you recall, BMAP members from BDO, BPI and RCBC Savings briefed foreign delegates from CYFI on their respective marketing campaigns under the Kiddie Account Program. This has made such a positive impression that CYFI considers our integrated program an international best practice model. We therefore share this award with the Department of Education and BMAP. Thank you.

Ladies and gentlemen. Financial education that leads to responsible personal finance management is now considered a life skill everyone must have, like reading and writing. Ultimately, everyone handles money, whatever station in life one has.

I hope therefore that BMAP will employ its creativity and ability to reach out to millions of financially unserved Filipinos who represent a big untapped market.

We are happy that BMAP has initiated its own Bank Marketing Awards for best practices in brand and product marketing in the industry. This is aligned with our objective of creating a distinct brand for the industry – a brand marked by both competence and excellence.

Certainly, these efforts can go a long way in making our banking industry truly responsive to the needs of our people.

The task ahead

Ladies and gentlemen, much has been gained by and in Philippine banking. From a marketing perspective, it may be beneficial if banks integrate their individual marketing plans into an industry marketing approach for branding purposes. For instance, if Philippine tourism has "It's more fun in the Philippines" tagline, the banking sector may also consider developing a program that embodies its collective aspirations.

Competence and excellence founded on effective risk management, an unwavering corporate culture of good governance and the empowerment of the financial consumer. These are the essential brand elements we see of the Philippine banking system.

I have no doubt that BMAP can harness your collective expertise to make this happen and to boost the overall competitiveness of the Philippine banking industry. I believe this is a

challenge worthy of BMAP – an association that has 40 years of track record behind it. With the liberalization of the entry of foreign banks to the Philippines and the forthcoming ASEAN Integration, developing a distinct brand for Philippine banking is a goal worth pursuing.

If BMAP is successful in developing this as a legacy, the next generations of bank marketing professionals can look back and celebrate this milestone as the game changer that raised the quality of bank marketing in the Philippines. I know BMAP is up to this challenge. It is said that life begins at 40. This is the perfect time therefore to start on this legacy project.

And to add more context and perspective to BMAP's 40th anniversary, I wish to share that this year, I am celebrating my 40th year – I am not referring to my birthday and certainly not to my waistline. This year, I mark my 40th year as a central banker.

Ladies and gentlemen of BMAP. To me, this is a sign that good things will continue to develop as we continue our partnership. A partnership for a stronger, more responsive, and more responsible banking system that promotes sustained and inclusive growth. Together, let us work on this legacy. Finally, I thank BMAP for its continuing support to the BSP's programs.

Again, my congratulations to BMAP as well as its leaders and members, past and present. Mabuhay ang BMAP! Mabuhay ang ating mahal na bansang Pilipinas! Maraming salamat sa inyong lahat.