# A platform-led approach to delivering funds in Asia

*Allfunds Bank plans to launch a funds platform in the region which could make it easier for banks to offer a suite of fund offerings at relatively low cost.*

Europe's largest mutual fund platform is set to make a splash in Asia in early 2017, in a bid to help drive change in the region's distribution dynamics.

After Allfunds Bank's regulatory blessing, all major efforts in terms of a strong local infrastructure are going to be ready by Q1 2017, including staffing, IT set-up and commercial infrastructure.

"Our aim is to create the largest base of Asian offerings and we intend to localise as much as possible because that is what will distinguish us from the competition," says David Perez de Albeniz, general manager of Allfunds Bank in Asia. In addition to Hong Kong, Singapore and Taiwan, the platform, which boasts 50,000 funds from more than 500 fund managers globally, will initially focus on Thailand, Philippines, Malaysia, Indonesia and China, which are less advanced in offering such solutions. It is also interested in cross-border distribution, adds de Albeniz.

"So if a Malaysian asset manager, for instance, is interested in selling its funds outside of the country, we would help with that as well."

### FILLING A NEED

The rationale for introducing its platform now is linked to the woeful conditions in the wider market. At the end of a volatile 2016 and amid an operating environment in which regulatory controls – and costs – are increasing, wholesale entities such as banks are struggling to turn a profit.

While some observers might think it an unusual time for a funds platform to be opening shop, de Albeniz has a different perspective.

"When banks, insurance companies, wealth managers... at the end of the day, any given financial distributor, are going through turbulent times and are forced to take a hard look at their bottom lines, this is when they start thinking about focusing their efforts. They realise they can concentrate on other tasks and hand over mutual fund services to someone else."

**DAVID PEREZ DE ALBENIZ**
Allfunds Bank

The near-term objective of Madrid-based Allfunds Group is to bag three distributors in its target local markets during 2017, plus another three in each of Singapore and Hong Kong.

## DOING THE HARD WORK

The mutual funds platform is propped up by three key pillars: asset servicing; data analytics; and fund research.

For an individual distributor to carry out any of these functions on their own requires well over USD600,000 a year in fixed costs. In addition, there are transactional costs.

Not surprisingly, the platform has therefore traditionally been well-embraced by the middle segment of the banking industry, as well by smaller institutions with limited resources to offer the full suite of services associated with fund offerings.

Yet this doesn't stop the firm from also engaging with big global financial groups with a global presence. In such cases, it has become a global partner whenever these financial groups want to develop fund distribution at a local level.

More specifically, the platform allows distributors to open accounts, transact funds for end-clients and have a comprehensive workstation where they can pull out confirmations, corporate actions and other matters related to middle- and back-office operations involving the funds business. Further, it provides bespoke solutions in terms of reporting as well as with fund research.

De Albeniz says distributors approach Allfunds mainly because of the cost savings it offers, especially in relation to the gamut of fund processing activities. There is also a clear identification of Allfunds as a specialised service provider, being an expert on mutual funds.

The firm also has a standardised form of discretionary portfolio management (DPM), which is used quite frequently by distributors in Europe. "The concept of industrialised DPM is quite widespread in Europe," he explains. "The bank runs three to five model portfolios, and each customer, depending on their profile, is mapped to one of these model portfolios."

The platform allows the banks to work at the model portfolio level, which is linked to the back office. Every time a weighting is changed, a sell and buy order is triggered automatically.

In essence, this allows banks to offer DPM-type services to affluent customers for a minimum portfolio size of USD50,000. Further, the firm also strives not only to adapt to local needs, but also to help in exporting positive experiences to its clients, enhancing financial product design and, ultimately, bringing the best solutions to end-clients.

What the platform is not, emphasises de Albeniz, is a supermarket of funds.

"Our client is a bank, which has a head of products, a head of wealth management, etc. These executives ask us to actively open a certain number of accounts with certain fund managers and to turn on the funds they are interested in," he explains. "They may have an interface to connect to their clients, who will only see those funds that have been selected by the bank based on the regulatory restrictions and risk appetite of each client."

The firm embraces the B2B concept, and it supports financial distributors, but there is no conflict with these clients, as there is no interaction with the end-client. "We provide tools and solutions but the relationship with the final client is still controlled and managed by the financial distributor," says de Albeniz. "We are just the engine and our clients decide the best way to drive and control their product distribution."

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## ASSISTING ASSET MANAGERS

There are benefits for asset managers, too, of getting on to Allfunds' platform, especially when it comes to meeting compliance requirements. "Asset managers don't have to go to individual distributors for information on KYC because we provide that on a yearly basis, so they can sub-contract that part of the process to us," says de Albeniz. "There is the potential to save costs as well, since we can aggregate orders to the transfer agent, which then charges them a lower fee."

Since the client remains with the asset manager, fund houses can concentrate on selling their funds while the rest is taken care of by Allfunds. ■