Getting onto a bank's funds distribution platform

Given the dominance of banks in Asia in distributing mutual funds, Stewart Aldcroft of Citi reveals what asset managers must do to get approved onto a bank's platform, and how to avoid getting kicked off.

Banks have a dominant position in terms of distribution of funds within Asia. In Hong Kong, Singapore and Taiwan, for example, banks represent more than 80% of all mutual funds sales.

According to Stewart Aldcroft, managing director of Citi Markets & Securities Services, and a senior advisor in the Asian fund management industry, fund houses must adhere to some specific criteria in line with the distributor's clearly-defined processes to get their product on the platform.

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Product is often the most important one, he explains. Some key features include being denominated in US dollars, although RMB is increasingly sought after by mainland investors. Further, UCITS (Luxembourg or Dublin) is preferred, and an AUM of USD500 million-plus is ideal.

Performance is also critical, given the desire among banks for best-of-breed.

Consistency of returns over three and five years is key, as is having the same manager for these time periods, following a repeatable and definable investment process. This should create differentiated alpha to appeal to the bank.

For pricing, standard funds have a front-end load – but often 5% is fully rebated/discountable. They also need annual management fees with trail commission to create annuity fees for the banks.

When it comes to people, local representation is necessary, as is responsiveness in terms of any follow-up on enquiries.

Once on a platform, Aldcroft says funds must be careful not to get de-selected. This might happen due to: the departure of the fund/portfolio manager; style drift; poor risk controls; under-performance against the benchmark index and peer group; corporate risk; capacity constraints; and transparency of fund, manager or firm in providing information. ∎

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