Offering fund providers a new information standard

The number of funds in the world is growing fast, yet banks and asset managers typically keep their documentation in proprietary systems, which fragments market data. fundinfo is trying to shift this mind-set.

Growth in retail investor wealth across the world has led to a surge in the number of funds available for investment. There's just one problem - the rapid growth and speed of information transmission hasn't been supported by the implementation of a universal standard of storing this information.

Instead, fund managers have to adjust their static fund data to meet the specifications of dozens of different fund distributors. This raises the risk of unnecessary duplication and errors at the provider's end.

"Currently we have to send out huge amounts of excel spreadsheets in different formats to many fund distributors every month," says Philipp Portmann, the chief executive officer of fundinfo. "The asset managers have to do the same. It's a huge mess."

Portmann's company is working to solve this inefficiency by creating a standardised set of data that all players can follow, called openfunds. It isn't the first to try. Other associations failed because their attempts were resisted by banks that employ their own proprietary data storage systems.

But fundinfo has teamed up with UBS and Credit Suisse to roll out its data standardisation initiative. "Our idea is to sit down together with these distributors and agree on a data standard that all asset managers can use to exchange the information needed to sell funds or exchange-traded funds (ETFs)," says Portmann.

OPEN TO ALL

Openfunds is being formed under a Creative Commons (CC) licence. The initiative is joint-owned by fundinfo, UBS and Credit Suisse, and they will soon welcome other banks to join.

The owners do not intend to commercialise it, as this might reduce its market

PHILIPP PORTMANN
fundinfo

impact. "Having the support of UBS and Credit Suisse already gives us critical mass," Portmann says. "Once you have such large players on board, if you are

ALBERTO RAMA
Investment Navigator

a fund manager you need to adapt the information you supply to fit with their unified needs."

Portmann's hopes this universal standard of fund data will catch on, allowing for far more rapid data submissions and a certain level of data submission automisation, saving time. The plan is to roll out openfunds in Europe first, but also to busy funds markets in Asia such as Hong Kong and Singapore.

"Large distributors say they do business with us in Asia and in Europe but face exactly the same issues in the US. They hope we can implement the same data collection and documentation solutions in the US very soon."

To facilitate this Portmann went to the US in late April, meeting with international asset managers and local distributors, including Wells Fargo and Charles Schwab.

OUTSOURCING

Another industry development is the decision by more banks and independent financial advisers (IFAs) to outsource their research or selection capabilities to companies such as Mercer, Morningstar and fundinfo's sister company, ifund services in Europe. Portmann says it's a matter of efficiency.

"From a top-down perspective it doesn't greatly matter if banks select fund A versus fund B; what's far more important is that asset allocations and all their servicing works," he says.

Another reason the banks and IFAs are outsourcing is because choosing funds is becoming more complex. Fund research departments used to focus purely on the best-performing funds, but now they have to ensure funds are both top performers and that they provide things like retail fact sheets for different share classes in appropriate languages, as well as selecting the right share classes suitable for their clients.

"The servicing part is becoming a lot more important and selecting the best-performing fund isn't enough anymore," says Portmann.

AUTOMATED FUTURE

These developments are taking place at a time when digital solutions are rising to the fore of private banking and fund management.

Increasingly, private banks and IFAs need to demonstrate they can offer digital services that make it easier for their clients to invest.

"If an adviser can meet clients and explain their options in detail on an iPad it's both impressive and can reduce costs," says Alberto Rama, co-founder of Investment Navigator, a new digital funds platform that is a strategic partner of fundinfo. The company offers a service to help private banks and large IFAs ascertain which funds or share classes are eligible for what clients in a cross-border advisory context.

"Banks which cannot do that are likely to see their ability to demonstrate value disappearing over the long term."

However, this touches upon another industry worry: will human advisers become obsolete?

Rama doesn't think there is much to worry about yet. "The truth is if most clients have spent 30 years building their wealth, they will be very reluctant to give it all to a machine," he says.

"If they offer it instead to a client adviser they have the comfort of knowing there is still a person they can reach out to, while knowing that in the background machines are supporting their choices."

Robo-advisers are also taking time to catch on.

"I recently met with an online robot advice platform here in Switzerland," says Portmann. "They told me they had received excellent feedback and PR for their service, and got over 20 new registrations for virtual accounts every day."

He notes the company told him that the conversion rate of people wiring money into those accounts was still very low, and that those who did put funds into the accounts only placed CHF10,000 to CHF20,000.

"The amounts and numbers will go up, but it will take time." ■