

Regulation and FinTech driving the evolution of fund distribution

David Perez de Albeniz, Regional General Manager, Asia, Allfunds Bank discusses the major themes that are affecting the fund distribution industry – from increased regulatory pressure to applying new technologies.



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THE HEIGHTENED FOCUS OF REGULATORS on market activities and the deeper involvement of clients in decision making are some of the developments that have required the industry to adapt over the past few years. Perez de Albeniz says, “I would name three main topics - one is regulatory changes, the second is the advent of FinTech and third is the role that blockchain will have in funds distribution”, all of which will be big change drivers in the industry.

The most glaring example of regulatory change in recent times was the implementation of MiFID II in Europe. As a result, financial firms are now required to disclose confidential information in jurisdictions that they may not have had to in the past. And most importantly, the client will now have full transparency of the fees paid to financial intermediaries across the value chain. While this certainly increases transparency for the clients, it also has the potential to reduce the incentive for the distributors.

Some of the recent product developments include the creation of the clean share class which reduces the entry barrier for institutional-type share class and also reduces the overall fund charges, hence improving fund performance. “Fintech will help advisors make more informed relationship with clients, will help clients access funds directly without any intervention and it will help distributors compensate for the loss of rebate earnings by launching new FinTech solutions” says Perez de Albeniz about the future role of FinTech. ■