



3

Steps to Turning Compliance Into a Business Enabler In Fund Distribution

#RegTech #AssetManagement #Compliance

Background

In asset management, exploring investment opportunities beyond the regional borders has become as natural as capitalising on those within them. As financial institutions seek out new growth opportunities, both institutional and retail investors look to allocate assets where safe and possible to benefit from the potential of market opportunities.

The global nature of fund distribution is shown by the number of registered cross-border investment funds, which in December 2018 reached nearly 14,000. However, the commonality in cross-border activities does not necessarily mean paving the way for future distribution abroad.

Quite the opposite.

As multiple local authorities need to be factored into every step of the process, identifying and acting upon a fund's full potential could be a complicated business. The local variations in rulesets governing cross-border distribution often create ambiguity around the many dos and don'ts.

Despite attempts to seek clarity, ambiguity may still remain, causing inaction and bypassed business opportunities - especially when marketing and distributing funds in new markets.

How do you factor out risks without factoring out opportunities?

Methods of today

Failing to incorporate local distribution rules and selling restrictions – or overlooking the costs of doing so – can break an otherwise attractive distribution strategy.

Fund characteristics and distribution contexts are only some of the criteria by which regulators classify fund distribution. As local variations apply, there is plenty of room for regulatory misinterpretation, if not watchful.

While some challenges and uncertainties can be solved through preparational work such as studying legal memoranda and completing training sessions, other regulatory concerns may remain. The combination of multiple jurisdictions, their different level of influence and the potentially limited legal knowledge on an organisational level can make reliance on these resources challenging.

Insufficient understanding of the legal requirements - and the limitations and opportunities involved - may prevent funds from being distributed and marketed at its full capacity.

Going further, seeking additional advice may work out costly, adding to the cost of distribution - whether sourced internally or externally.

Step 1.

Identifying opportunities & unlocking potential

Understanding a fund's product characteristics is key in order to fully grasp country-specific marketing and distribution restrictions. In a cross-border context, overlooking local variations in regulations governing these activities may result in penalties and bypassed business opportunities.

With hefty fines around every corner, there is a tendency to adopt a risk-first approach - as opposed to opportunity-oriented - creating myopic maneuvers in fear of misconduct. In such business climate, distribution strategies may involve limitations and loss of potential profit.

Integrating digital and binary compliance resources into the workflow helps to better identify the impact and variations of relevant regulatory frameworks, including both restrictions and opportunities. Where traditional information sources often fail to deliver clear guidelines, the responsive format identifies the do's and don'ts specific to each fund and its individual characteristics.

Step 2.

Leaner processes & focussing on the core

Reliable regulatory information is indisputably a vital resource of fund distribution. However, the way knowledge is acquired and consumed can make a huge difference to a business' success and general resource allocation.

Depending on the type of learning resource, number of jurisdictions involved and the individual's industry background, gathering sufficient regulatory information can be a troublesome matter. Studying legal memoranda and completing preparational training courses can both be time consuming - partly due to the scope of the subject, but also due to the processing and interpretation of complex and ambiguous regulatory requirements.

By using digital tool kits, the essence of recognised regulatory sources can be consumed in yes-or-no formats, relating to specific fund characteristics and its intended purpose and potential.

Integrated into the workflow or accessed through a dedicated platform, a binary repository of legal intelligence enables firms to transform complex regulatory requirements into clear guidelines for the entire organisation, freeing up time and allowing the workforce to focus on growth and innovation.

Step 3.

Knowledge distribution & nurturing masterminds

Knowledge is best used where it is the most needed. Despite this, many organisations retrieve and consume legal knowledge in a vertical and decentralised manner, leaving some of those dependent on it without immediate access to regulatory guidelines. We believe that where knowledge is easily shared, excellence is created.

Due to the broad scope of legislation, its business impact affects multiple departments and influences many important decisions. By making regulatory knowledge accessible on an organisational level, regulatory requirements - including its limitations and opportunities - can better be taken into consideration by all internal stakeholders.

The complexity of cross-border activities is not an exception. In many organisations, compliance sits far away from the distribution and marketing functions where, if coupled with the industry expertise of the respective departments, it could help create tactical and compliant business moves.

Relying on digital resources, compliance becomes an inclusive and accessible matter and a natural part of any decision making process. Extracted from leading intelligence providers and synchronised with the internal workflow, clear guidelines in yes-or-no format can be consumed by anyone in the organisation.

Final words

It is quite a paradox. Structures originally set up to govern activities across borders may become one of the main sources of business opportunities. If managed correctly, rules do not necessarily mean limitations.

Mastering learning processes and making the most of regulatory frameworks, a digital-first approach helps to better identify new distribution opportunities whilst ensuring always-compliant and competitive cross-border financial services.

***Rules do not
mean limitations***

If you would like to talk to us about marketing and distribution strategies for your business, [we are here](#) to advice.

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