

A solution to a joint industry RFP challenge

A new digital due diligence platform aims to save time for fund selectors and help asset managers to respond in a timely fashion. Nordic Fund Selection Journal investigates the latest developments in creating a standardised due diligence process.

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For the past year, intense work has taken place to find a cure for the heavy due diligence burden that is plaguing fund selectors and fund companies alike. The attempts to standardise the due diligence process, which was initiated by APFI, the Association of Professional Fund Investors, has now resulted in a digital solution called Door that will be launched at the beginning of next year.

“Door is a collaborative effort to solve a common industry problem. It’s really pretty simple. The way we currently exchange due diligence information is outdated and very inefficient,” says Roland Meerdter, co-founder of Door and previously a founder and board member of APFI.

Rob Sanders, another co-founder of Door and previously global head of marketing at Aberdeen Asset Management, notes that it currently can take two to three weeks for an asset manager to complete a due diligence questionnaire or a request for proposal (RFP). Furthermore, the number of requests received by asset managers is increasing while the RFP teams are not growing at the same rate. “The increase has meant that the industry is facing a resource and cost problem,” he says.

Professional fund investors are also spending too much time collecting and organising information, leaving them without enough time for proper analysis. Fund selection teams typically submit due diligence questionnaires or RFPs

to asset managers as part of the manager search process. However, regulators are increasingly keen to enhance consumer protection. As a result, distributors are pushed to not only complete due diligence on new funds and on their preferred list of funds but on the complete range of external funds. Industry participants tell Nordic Fund Selection Journal that some asset managers have seen a

100 per cent increase in RFPs over the last year alone. The result has been a growing pressure on asset managers to prioritise between different requests, which lead to frustration among fund selectors that are not getting answers to their questions quick enough.

Using a digital standard will allow fund companies to provide information to fund investors in real time and asset managers will at the same time save time and money. “It’s rare for different parts of the industry to come together but in this case both sides of the industry face the same problem,” Rob Sanders says. With a more streamlined workflow, asset managers will be

able to focus on serving investors on their more detailed requests.

The seed to finding a solution for this problem was planted last November at the APFI Nordic Summit, hosted by Tell Media Group (publisher of this magazine) on behalf of the fund selector association. At last year’s summit, which was chaired by APFI representatives Jauri Häkkä, Roland

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APFI NORDIC SUMMIT 2015

Meerdter and Jon Beckett, one of the outcomes was the launch of a project to standardise due diligence questionnaires. Due to the sophistication of its fund and manager selection community, the Nordic region was, according to Roland Meerdter, seen as the optimal region in which to kick-start this project.

“I am very happy that we now have a handful of top selectors from across the Nordic region who are contributing to the standardisation project,” Jauri Häkkä said at the time. “The process to find some common ground and to produce the first version of a standardised due diligence questionnaire has now started and we are welcoming others to provide input: both fund and manager selectors from the global APFI community as well as fund and asset management companies.”

The discussions on how to standardise the questionnaires continued in Asia and Europe during the spring but developed over the summer and the fall into the digital platform Door. “Regulators are increasing their focus on product governance,” says Roland Meerdter. “Funds need to be reviewed regularly to ensure they continue to be managed in the best interests of their clients. This is increasing the requirements for due diligence not only on ‘buy lists’ but also on the larger client ‘inventory’ of funds, which means that a digital solution was required.”

Historically, it has also been difficult, if not impossible, for fund investors to track changes to answers in due diligence questions. “Too much emphasis has been placed on the purely quantitative information but up until now there hasn’t been a tool to enable screening and monitoring on qualitative information,” Roland Meerdter says.

The key to make the digital platform a success is to get a critical mass of distributors and asset managers on board. As of today, Door has been able to gather ten major fund distributors as well as 12 major cross border firms from the asset management side of the industry that have all signed up to back the solution. Some of the asset managers that have joined from the start include Franklin Templeton, Schroders Investment Management, M&G, Aberdeen Asset Management, Pictet Asset Management and Nordea Asset Management. ●

// ABOUT APFI & DOOR

The Association of Professional Fund Investors (APFI) was established in 2011 and serves as a global forum for fund selectors to drive the development and exchange of global best practice in the areas of research, analysis, due diligence and the selection of asset management products.

Door has been launched as an independent company by Roland Meerdter, Rob Sanders and an IT company. APFI will be responsible for maintaining the standardised due diligence questionnaire that is at the heart of the online platform. Version one of Door will be launched in the first quarter of 2017. The service will be free for fund selectors whereas asset managers will pay a fee, based on the number of funds and/or assets under management, to be included on the platform.