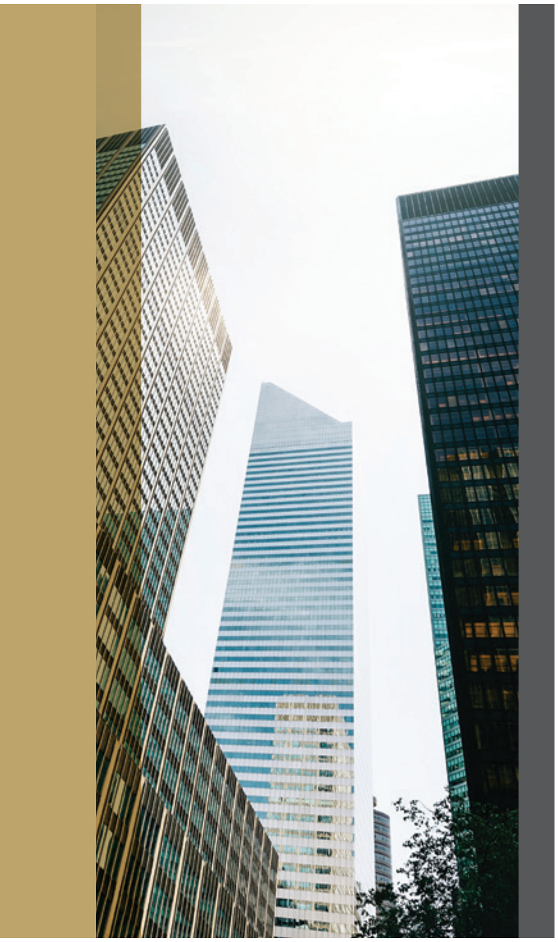

The Turnkey Mutual Fund Platform: A Powerful Solution for New Fund Launches

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Throughout the continued evolution and expansion of the Investment industry, mutual funds have remained one of investors' most popular investment vehicles, with the mutual fund market reaching $15.9 trillion in assets in 2015.[1] In order to expand their investor base, asset managers and fund advisers continue to look for an optimal method to launch new mutual funds.

Recent market and regulatory changes have introduced new regulations making it increasingly complex to launch a fund. The recent changes in financial regulations have significantly increased their complexity and regulatory oversight requirements. These requirements can often require additional resources, taking the focus away from the core asset management business.

THE BASICS OF A NEW FUND LAUNCH

Before deciding to launch a new mutual fund asset managers must consider many factors and make several key decisions. The appointment of a Board of Directors and officers for the fund is the first step. Service providers will be required for fund accounting and administration, custody and transfer agency. Fund counsel and a CCO must be hired as well. Speed to market can also be a deciding factor in the success of a mutual fund launch. Establishing these functions in a timely and cost effective manner is the primary goal and objective of any successful mutual fund launch.

One significant hurdle many advisors face in the successful launch of a fund is the changing regulatory environment. A lack of familiarity with the requirements of the Investment Company Act of 1940, which governs mutual funds, can be an obstacle to overcome. Educating themselves on these laws, so that the new fund is compliant, can be a time consuming prospect. In addition, technology and systems that provide oversight with respect to these regulations can be expensive and require additional resources to implement.

It is easy to see the challenges a small- or mid-sized asset manager can face setting up a stand-alone mutual fund. Operating within an environment of time and resource constraints can create additional pressure on the manager, taking time away from their core business of managing money. For these reasons, the turnkey solution can offer a refreshing option.

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THE TURNKEY SOLUTION

There are many advantages to using turnkey mutual fund platforms. They enable an asset manager to leverage and benefit from a mature, existing fund offering with a Board of Directors and fund officers, Board governance procedures, a CCO, outside counsel and a fund auditor, all in place. They offer access to a comprehensive suite of services that help manage the day-to-day operations of a mutual fund. Another benefit asset manager can realize is through the turnkey's existing selling agreements with broker dealers that distribute the fund.

Compared to a stand-alone fund launch, the turnkey platform's bundle of services helps save time, reduce expenses and increase scalability. Mutual fund launches with a turnkey solution take an average of 120 days to launch, while stand-alone launches may take up to six months. Additionally, the average cost for hiring outside counsel to launch a mutual fund on a stand-alone basis can be as high as $150,000, due to the organizational work needed. In contrast, the cost of outside counsel to help launch a mutual fund on a turnkey platform is generally around $40,000. Since the turnkey functions are already established; there is no need to create a new trust or organizational structure before launching a fund. Instead, the turnkey solution allows asset managers to leverage high-quality service and expertise while focusing on managing investments for their funds.

SERVICE PROVIDER CONSIDERATIONS

When considering a turnkey solution provider, there are several key differentiators to consider. The provider should be well-established in the turnkey business, with a proven team of professionals and a comprehensive process for executing fund operations. The offering should deliver a complete solution to asset managers, regardless of their size, and it should include all of the necessary core services: fund accounting and administration, transfer agency and custody. These services can be even more valuable if they are combined with other functions that the service provider offers, such as performance and risk analytics, middle-office outsourcing and transition management. Finally, the service provider should display its leadership through participation in industry committees, advocating for clients on discussions around regulatory change and industry oversight.

With the economic and regulatory environment continuing to pose a challenge, asset manager are looking for solutions to help them combat the rising costs and increasing time to market that these new regulations bring. Many are discovering that using a turnkey platform to launch and maintain funds can be a time-saving and cost-effective solution. The turnkey solution's existing fund structure and established and proven resources, enables asset managers to better manage the regulatory, compliance and day-to-day operational challenges of a mutual fund. Partnering with the right service provider can create efficiencies and lower costs. But most importantly, it can allow asset managers more time for their core competencies of managing investments and focusing on client relationships.

[1]Investment Company Institute, "2015 Investment Company Fact Book," 2015 The views expressed within this article are those of the authors only and not those of BNY Mellon or any of its subsidiaries or affiliates.

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