

Focus on Funds: New Tool Eases Global Distribution Challenges

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Amid increasing regulatory pressures, funds and their distributors have a new, more efficient, and streamlined way to collaborate on oversight. In the August 14, 2020, edition of *Focus on Funds*, Ahmed Elghazaly, ICI director of securities operations, describes the benefits of the industry's new tool—the due diligence questionnaire (DDQ).

Transcript

Stephanie Ortals-Tibbs, ICI director of media relations: There's a new standard in fund industry cooperation that's going to make a meaningful difference in distribution around the world, but particularly in Europe. My colleague Ahmed Elghazaly has been leading a team working on this project for years. And Ahmed, tell us a little bit about the background behind this project and the problem that it helps us solve.

Ahmed Elghazaly, ICI director of securities operations: In recent years, regulators have been focused on funds' oversight of their third-party services, including fund distribution channels. We've seen certain provisions in MiFID II in this regard. And more recently, national regulators have issued guidance and also have increased their supervision practices. To carry out such oversight obligations, fund managers use different approaches when onboarding new distributors and also when reviewing their activities on an ongoing basis.

Ortals-Tibbs: And what are some of the things that have happened in this new due diligence questionnaire? What are some of the ways it eases frictions that have existed for some time in the distribution process?

Elghazaly: Well, let's talk about the problem. Distributors receive multiple—often conflicting—due diligence questionnaires from funds and requests for information, and that was for the funds to satisfy their regulatory oversight requirements. Faced with an unmanageable volume of requests for answers to different sets of questions, distributors frequently supplied standard responses, which often fell well short of meeting the funds' needs for oversight.

Ortals-Tibbs: This was a big problem; it took a big team to solve it. Tell us about how you all approached this to resolve the issues that had been around for so long.

Elghazaly: ICI Global helped organize a working group that was very inclusive in nature. It brought in all major players from large EU distributors and platforms, with over 30 fund managers and representatives from Europe's leading fund trade bodies. All participated in this work.

[The] questionnaire is now publicly available to any fund manager or distributor and serves as a standard for UCITS and AIFs in performing both the onboarding and the ongoing oversight of distribution channels.

Ortbals-Tibbs: One of the really exciting things is that so many large European distributors were involved. Why did they come on board?

Elghazaly: Well for distributors it solves a big problem. It's a valuable time sav[er] and also, it brings a lot of new efficiencies to the table. There are also benefits for everyone. If you think about the fund industry, for fund companies, the uniform questionnaire satisfies their oversight regulatory requirements but also ensures that a uniform flow of due diligence information across all the distribution channels. And then, ultimately, fund shareholders reap the greatest benefits of more efficient and effective fund distribution oversight across the industry.

Additional Resources

- [Investment Funds Distributor Due Diligence Questionnaire](#)
- [ICI Viewpoints: A New Benchmark for Distribution Oversight](#)
- [ICI Resources for Business Continuity](#)
- [ICI Viewpoints: Operations Managers Identify Technology as Key to Future Success](#)
- [Focus on Funds: New Technology and New Trends Are Driving Fund Industry Change](#)
- [Focus on Funds: Fund Operations Is Changing Dramatically](#)