

## Platform providers seek to navigate tricky offshore waters

FROM PROFILES & ANALYSIS JUN 12 2012 BY: HELEN BURGGRAF



In the early days of the Internet – long before Google, Facebook, Amazon and iTunes evolved into the online giants that they are today – dot-com entrepreneurs mortgaged their houses and borrowed from family and friends in hopes of establishing a market-dominating web-based business before anyone else could beat them to it.

Some succeeded, many did not. Much red ink flowed.

On a smaller scale, a similar race is now under way in the offshore – or “international” as some prefer to call it – investment platform space, as more than a dozen companies vie to become the Amazon, or Facebook, of the industry.

As with that original dot-com land-grab, the one involving offshore platform providers is characterised by a range of business models.

Some of these business models do not fit well with others already on the market, and this is the source of much tinkering and retro-fitting. [...]

### [...] Third-party administrators

Few in the platform industry have as good a view of its workings as John Pauly, the founder and chief executive of Luxembourg-based Moventum. This is because his company, which he founded in 2003, provides the platform technology and infrastructure used by some of the best-known financial services platforms, while also running its own no-frills platform business for financial advisers.

For Pauly, one of the biggest trends is the growing use by IFAs of third party asset managers, who are increasingly being given the task of looking after clients’ assets.

“This is mainly happening in the UK, where the role of the adviser is being redefined by the [new] regulations,” he explains.

For platform providers, this typically means being able to offer advisers model portfolios, which, he notes, by a happy coincidence, fit naturally into the technological structure of platforms.

RDR has not been unmitigated good news for platforms operating in the UK as well as overseas, however, he notes; for one thing, the costs of preparing for it have been eating into most companies' profits, and few platform providers are wildly profitable, given that the industry is young, expensive to enter, and competitive.

What is more, proposed Financial Services Authority regulations that would oblige platform providers, working through their adviser clients, to provide investors with what Pauly says would be "every scrap of news about every fund they hold", as part of its insistence upon transparency.

"It is more than just a hassle, there are very substantial costs associated with [this plan], and the FSA is saying that the investor should not be the one to bear the cost," Pauly says.

"Personally I am a big fan of transparency, and of investor protection, but where it is necessary and where the risks lie. There are areas of risk out there, but I do not believe this is one of them."