For Immediate Release

SWIFT Institute research shows benefits of outsourcing by mutual funds

New research from the SWIFT Institute shows that mutual fund service outsourcing can bring benefits to investors; lower subscription fees and fund performance top the list.

Brussels, 21 May 2015 – The SWIFT Institute announces the availability of new research that for the first time investigates the consequences of outsourcing different types of services by mutual funds in Europe. While most research has focused on the US funds market and middle/back office services, the SWIFT Institute report, entitled "The Scope of International Mutual Fund Outsourcing: Fees, Performance and Risk", examines the full scope of services that are outsourced by administrators, transfer agents, custodians, advisors, trustees, and auditors across the Continent. The research was produced for the SWIFT Institute by Douglas Cumming of York University, Armin Schwienbacher of Université de Lille and Feng Zhan of John Carroll University,

Based on over 13,000 mutual funds domiciled in Europe, this study shows outsourcing is very common; 12% of funds use external advisors, 41% use external administrators, 45% use external transfer agents, and 58% use external custodians, and all funds outsource to external trustees and auditors. In addition, this paper shows that outsourcing is less common among funds managed through banks, UCITS funds and institutional funds. Interestingly, the research finds that funds with outsourcing are more likely to have 11% - 14% lower subscription fees relative to the overall average fees in the data.

Furthermore, this study finds mixed evidence on the performance implications associated with outsourcing. Outsourcing advisory services are associated with higher risk-adjusted performance (Sharpe ratios), while outsourcing of administrator, transfer agent, and custodian services are unrelated to risk. The association between outsourcing of advisory services and performance is more pronounced for funds belonging to a bank-managed group.

Peter Ware, Director of the SWIFT Institute says: "This latest research from the SWIFT Institute gives a comprehensive analysis of outsourcing by mutual funds and some of the issues, challenges and benefits. Most academic research to date has been focused on the US mutual fund space and on middle / back office outsourcing. This is one of the first studies that looks at Europe, and takes into account outsourcing of front office activities, such as advisory services."

Please click here to download a full copy of the paper. For any questions on this or other SWIFT Institute research papers, please contact Peter Ware.

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The research covers various aspects of transaction banking, including the following areas: Payments, Clearing / Settlement, Cash Management, Trade Finance, Trust and Securities.

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About SWIFT

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect more than 10,800 banking organisations, securities institutions and corporate customers in more than 200 countries and territories. SWIFT enables its users to exchange automated, standardised financial information securely and reliably, thereby lowering costs, reducing operational risk and eliminating operational inefficiencies. SWIFT also brings the financial community together to work collaboratively to shape market practice, define standards and debate issues of mutual interest.

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