



# **Asset Manager Selection under Public Procurement Legislation**

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**Governance / Transparency and Asset Manager Selection**

**Public vs. non-public Tender Process**

**How to deal with a large number of participants**

# Difficulty of the manager selection task

If you believe that picking the right stocks is difficult...

**MSCI World  
DM Index:  
+/- 1600 securities\***

**MSCI ACWI  
All Cap Index  
+/- 14'000 securities\***

**SEC  
Registered  
Investment  
Advisors:  
+/- 11'000\***

...then you might agree that picking the right manager is difficult!

\* Source: MSCI, SEC

## Study on stock picking ability...

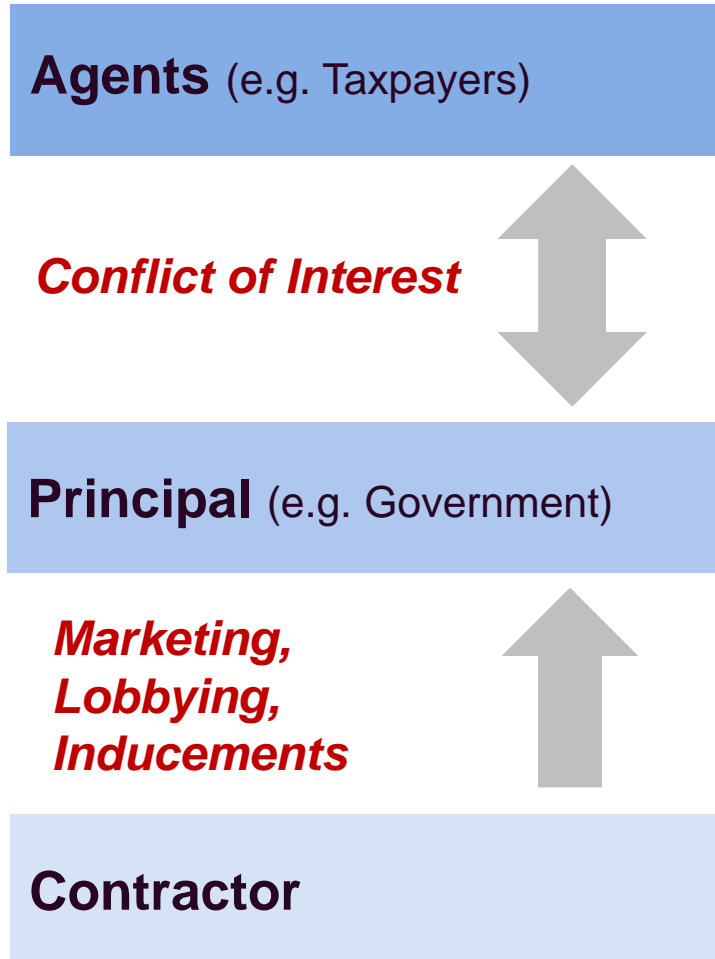
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## Study on manager selection ability...

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# Governance

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## → WTO Agreement on Government Procurement (GPA)

- **Principles** (excerpt)
  - **Transparent** selection process and -criteria
  - Open **competition** among bidders
  - **Equal treatment** of bidders
  - **Confidential** treatment of tenders
  - **Independent** evaluation of tenders

## **Quality Standards**

*Art. 48f BVV 2*

## **Prohibited Transactions**

*Art. 53a lit. a BVG;*

*Art. 48j BVV 2*

## **Conflicts of Interest**

*Art. 51b Abs. 2 BVG;*

*Art. 48h, Art. 48l Abs. 1 BVV 2*

## **Transparency**

*Art. 48l BVV 2*

## **Inducements**

*Art. 53a lit. b BVG;*

*Art. 48k BVV 2*



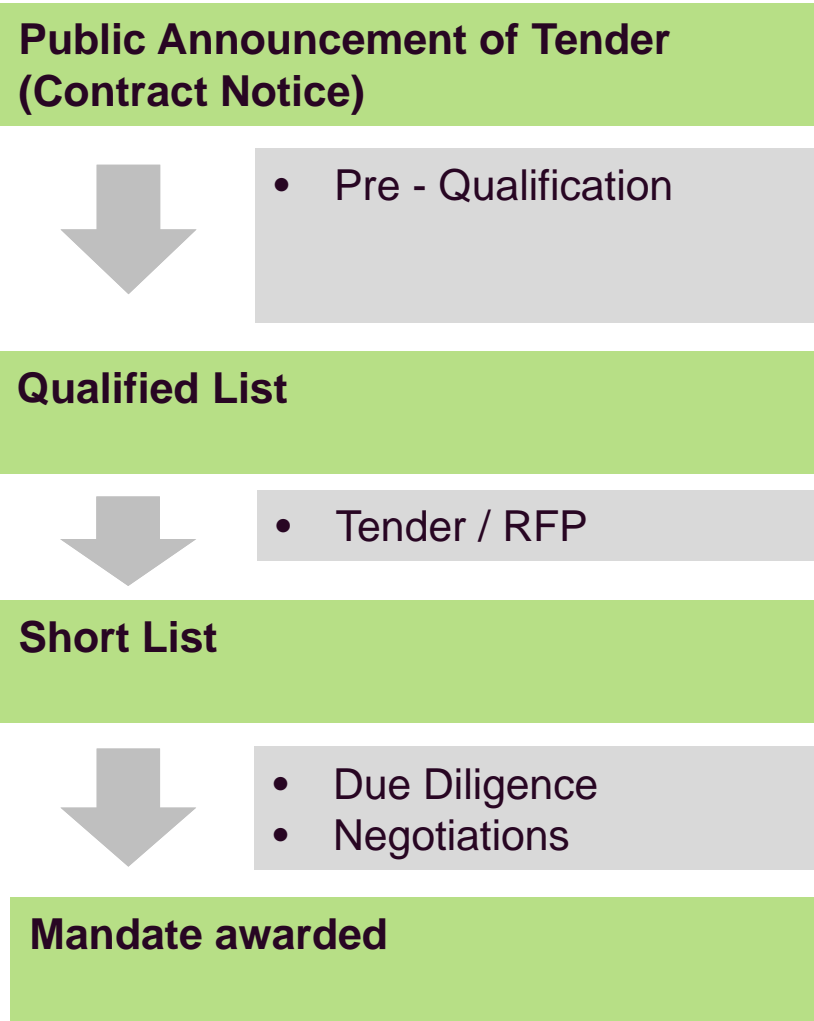
- The **pension board** decides
  - on the selection process
  - on the appointment of external asset managers
- The Swiss **pension legislation** sets quality standards for asset managers and prohibits inducements that might influence manager selections.
- A **public tender process** is not legally required, but is very useful to document full compliance with legal requirements.

# Selection Process

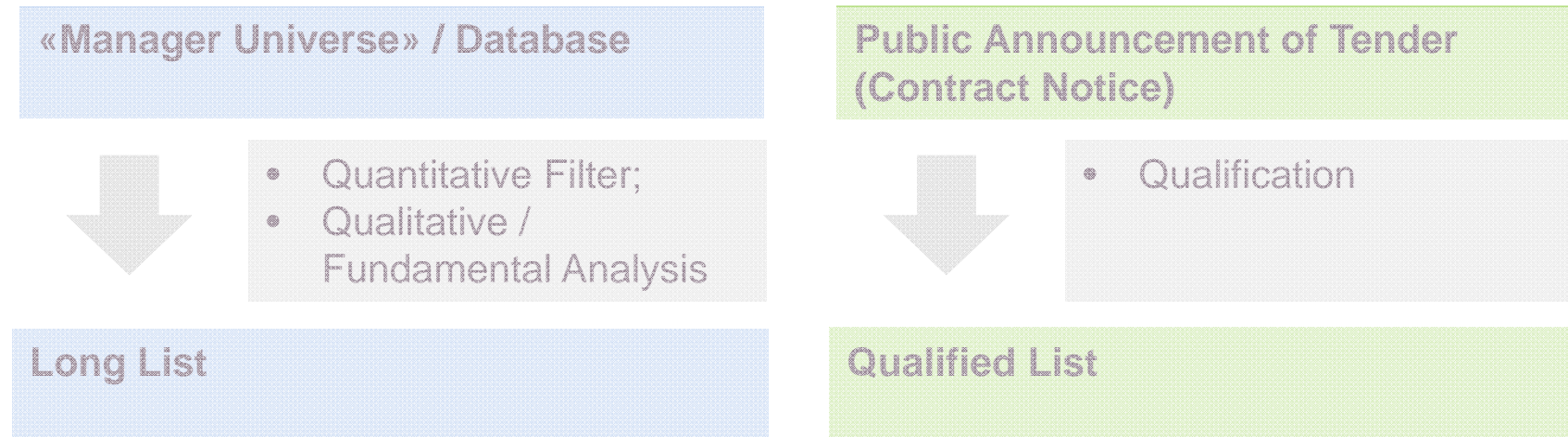
## Non - Public



## Public



# Pre - qualification Phase



***Most significant differences are in the pre-selection / «qualification» phase. For public tenders...***

- **qualification criteria** must be defined beforehand and cannot be changed after search has been started
- **any** asset manager can participate **free of charge**
- the qualified list is **published** and can be objected by participants

# Qualification Phase

**Participants**

**Knock-out Criteria**

*e.g. FINMA / SEC regulated?*

**Qualitative Evaluation Criteria**

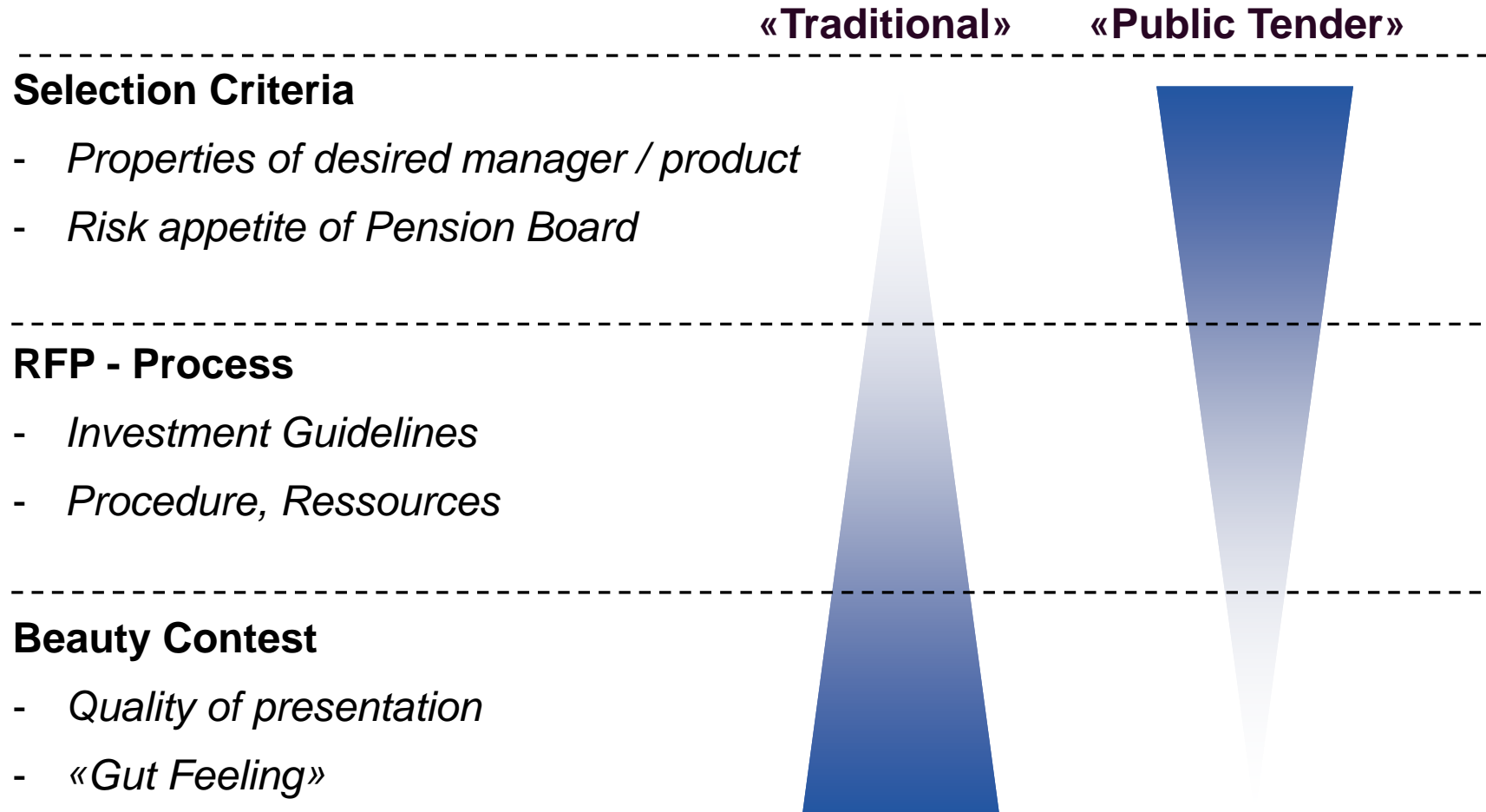
*e.g. FX-execution via trading platform?*

**Quantitative Evaluation Criteria**

*e.g. experience with asset class?*

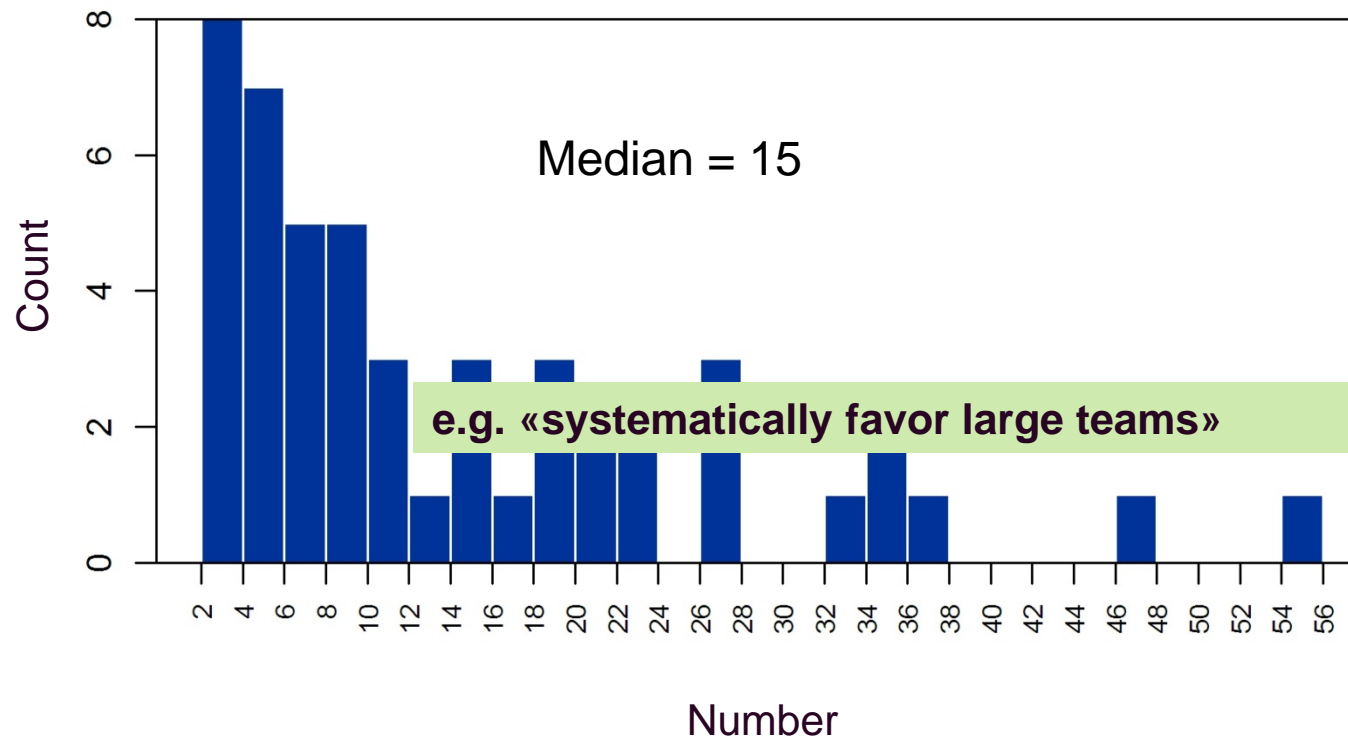


# Attention of the Pension Management Board



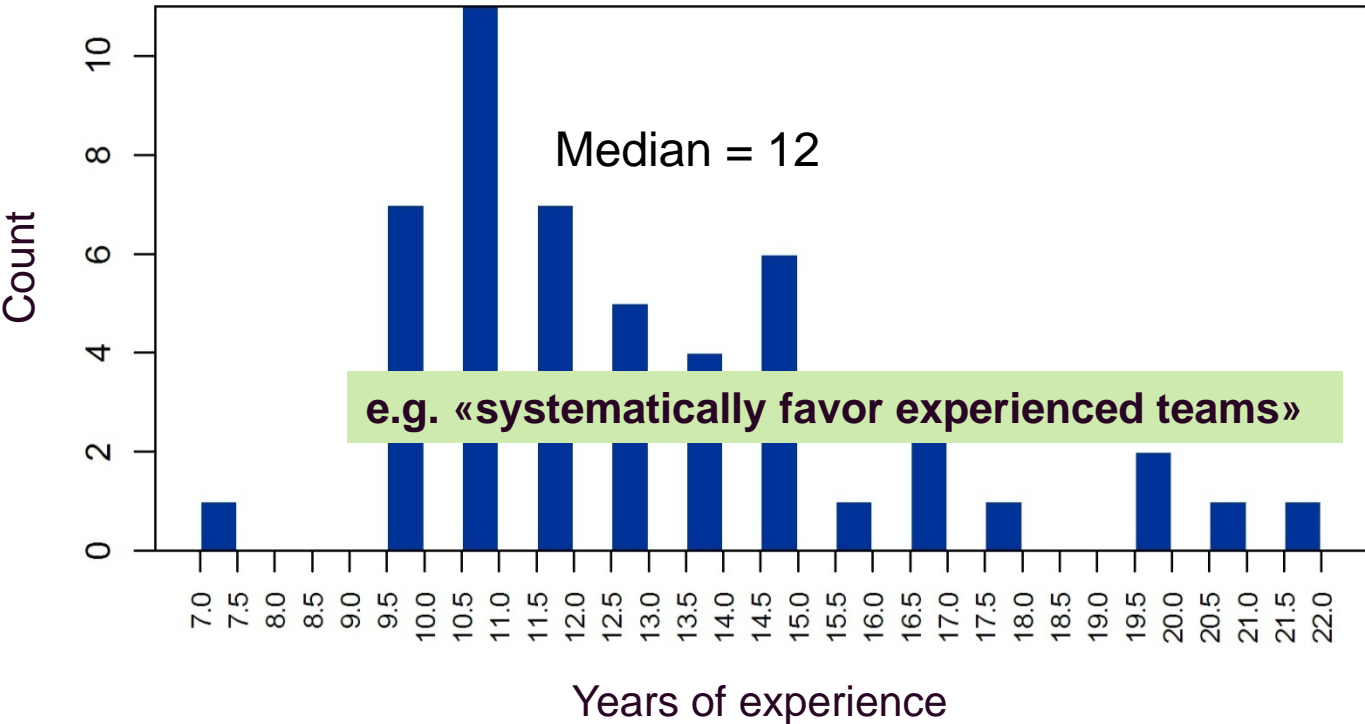
## Team Size

### Dedicated corporate bond credit analysts



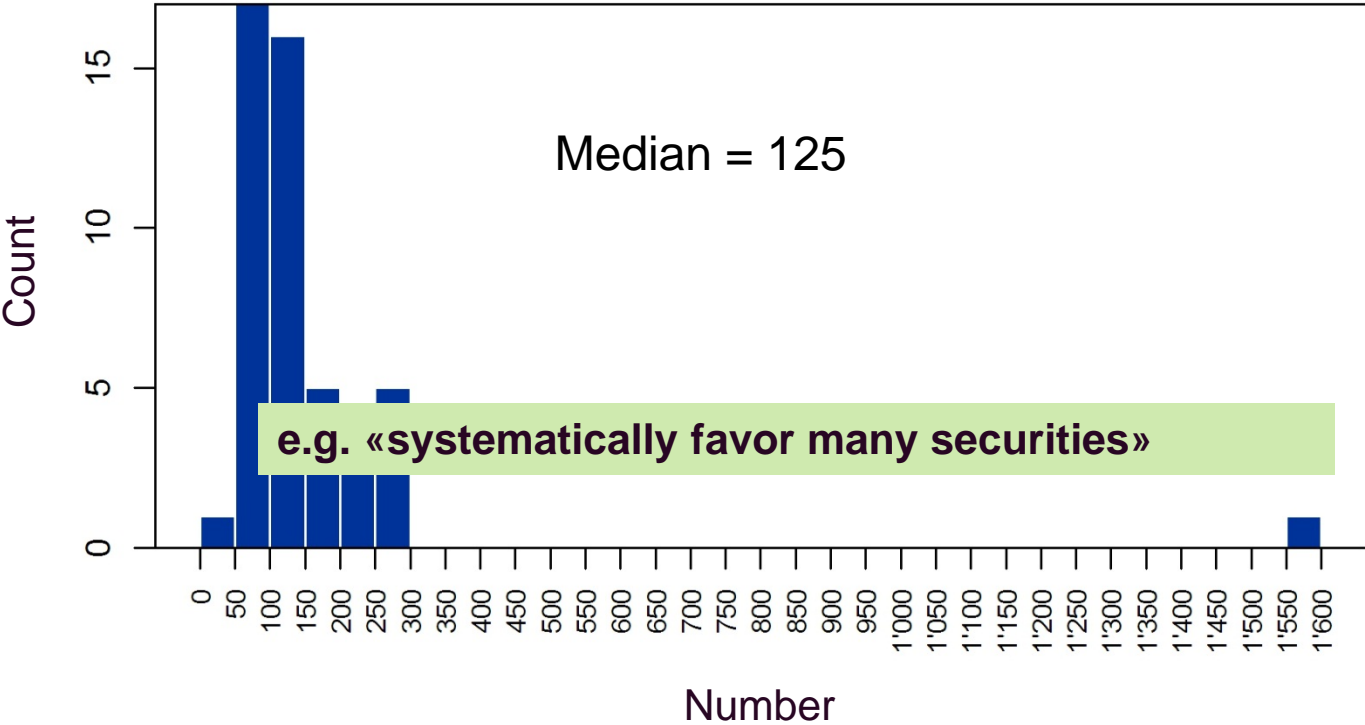
## Experience

Average experience of analysts with corporate bonds



## Number of securities

Number of securities in the portfolio





- A large number of participants in fact **improves the quality** of manager selection if the pre-qualification is designed properly
  - Unambiguous, relevant, non-discriminatory questions
  - Quantitative filtering / screening
  - Minimum criteria (knock-out)
- The pre-qualification reduced the number of candidates for the due diligence phase to a predefined number.

- The pension board decides on the selection process.
- A mandate appointment without competition amongst bidders is likely to be at the disadvantage to the pension plan members. Best Practice demands a broad selection process.
- A public tender is suitable to address conflicts of interest without any disadvantages in the economically sound evaluation of bidders.
- A public tender process is fair for participants.

# Contact



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