White Label Offerings: Open vs. Closed Platforms

It is sometimes suggested that launching an ETF is too costly, operationally complex, and complicated for most, and therefore they should use a White Label Adviser to launch. If you have been through an honest investigation [see "Sound Thoughts Vol. 1 - The Role of ETF Adviser…you or them?"] regarding your firm's ability or inability to act as Adviser to an ETF, and have settled on hiring a White Label Adviser, the next step is to evaluate the "platform" offering.

Type of Platform	Closed	Open
1940 Act Trust and Trustees	No choice	Your choice
Trading and Portfolio Management	No choice	Your choice
Administration and Accounting	No choice	Your choice
Custody and TA	No choice	Your choice
Statutory Distributor	No choice	Your choice

In an open platform, the client has the ability to choose the 1940 Act trust and trustees. Specifically, you can create your own trust and select trustees, or you can utilize one of the many shared trusts offered by quality ETF service providers. Shared Trusts [a.k.a. Series Trusts or Multiple Series Trusts] are trusts where different Advisers share the trust and its services, and each individual Adviser runs their own ETF franchise independently. Creating and running a 1940 Act trust does come at a cost and with additional operational responsibilities. Many times, Advisers opt for an existing Series Trust they have vetted and feel comfortable with. However, if you want to run your own trust, a White Label Adviser should be unopposed to that approach and more importantly, should be able to help you set it up and run it.

In a closed platform, the client is offered a "turnkey solution". And as you can see from the above chart, the trust and service providers are in place leaving no choices for the client. To be clear, lack of choices does NOT imply a lack of quality. There are several quality turnkey offerings in the ETF marketplace that provide excellent solutions. That said, it is important to be aware upfront of the fact that the ability to evaluate and choose the trust and service providers is not available on a closed platform.

"Cost is an issue in the absence of value" – so what value comes along with a white label platform, and at what cost? The terms of a commercial agreement between you and the Adviser you hire should provide details and costs regarding the services you require. Again, this should be an open vs. closed selection process. For example, many clients who hire a white label Adviser can act as Sub Adviser to their ETF[s] without the need to hire a 3rd party [i.e. the Adviser's in house trading team]. After careful evaluation and explanation, if this is the case, it can result in significant cost savings. Further, acting as Sub Adviser to an ETF can also signal to the ETF industry that you are committed to the success of the ETF and are in the driver's seat when it comes to the strategy that controls the ETF's performance.

Additional "value adds" may be offered such as assistance with capital markets counterparties [i.e. custom tax mitigation] as well as sales/marketing assistance ["Distribution"]. You should expect a detailed discussion regarding both capital markets, sales/marketing resources, and their costs, from any white label adviser. Bare bones [i.e., no money spent on sales/marketing], you should be able to launch an ETF with a white label issuer for around $325-350k. With a well thought out sales/marketing strategy, that number could push towards the estimated $400k-500k range.

A White Label Adviser should educate first, and sell second, to help you find the "Right Label" for your ETF franchise…not just at launch, but with an eye towards long term success.