FUNDAMENTALS

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Mutual Fund Statistics for the Bank Distribution Channel

Over the last decade, commercial banks have augmented their traditional deposit and lending services with investment products, including mutual funds. Banks offer both proprietary mutual funds, managed and sold through the bank or an affiliate, and nonproprietary mutual funds, managed by an independent fund company but sold through the bank or an affiliate. Some bank proprietary mutual funds also are available to investors through other distribution channels, such as full-service brokers, financial planners, and insurance agents.

To determine bank activity in the mutual fund market, the Institute has surveyed mutual funds annually since 1991 about new sales[1] of long-term funds[2] available through banks or their affiliates. This yearly survey is based on actual sales of both proprietary and nonproprietary long-term funds sold through banks. Consequently, year-to-year fluctuations in the data may be attributable to changes in the number and composition of respondents,[3] as well as changes in economic and market conditions. All data are collected on a fund-by-fund basis.

The total number of mutual funds reporting sales through the bank channel increased from 1,100 at yearend 1991 to 2,329 at yearend 1995. Proprietary funds accounted for 47.9 percent of the mutual funds offered through banks in 1995, up from 31.5 percent in 1991 (Figure 1). During this period, the mix of proprietary funds offered by banks shifted from short-term to long-term funds. Money market funds represented 48.1 percent of all bank proprietary funds in 1991, compared with 28.0 percent in 1995 (Figure 2). In contrast, the product mix of bank nonproprietary funds varied little between 1991 and 1995, with roughly half being bond and income, one third equity, and the remainder money market (Figure 3).

Figure 1

Mutual Funds Reporting Sales Through Banks, 1991-1995[1]

	1991		1992		1993		1994		1995	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Proprietary	347	31.5	488	37.0	758	42.6	959	46.3	1,116	47.9
Nonproprietary	753	68.5	830	63.0	1,022	57.4	1,113	53.7	1,213	52.1
Total	1,100	100.0	1,318	100.0	1,780	100.0	2,072	100.0	2,329	100.0

[1]The composition of the sample reporting data varied from year to year. The 1991 reporters included 56 banks and 33 mutual fund companies, 1992 reporters included 70 banks and 34 mutual fund companies, 1993 reporters included 84 banks and 39 mutual fund companies, 1994 reporters included 88 banks and 40 mutual fund companies, and 1995 reporters included 102 banks and 37 mutual fund companies. The total number of banks offering proprietary funds was 83 in 1991, 101 in 1992, 111 in 1993 and 1994, and 107 in 1995. The total number of mutual fund companies selling funds through banks was 56 in 1991, 58 in 1992, and 63 in 1993, 1994, and 1995. Ten of the 12 largest mutual fund companies selling funds through banks participated in each year of the survey.

[1]New sales are sales of mutual fund shares, including conversions of trust assets, but excluding sales charges, exchanges, or reinvested dividends and capital gains.

[2]Long-term funds comprise equity and bond and income funds.

[3]The 102 banks responding to the 1995 Institute survey represented 95 percent of banks offering proprietary funds and accounted for 94 percent of bank fund assets. In 1991, the 56 banks participating the survey represented 67 percent of the banks with proprietary funds that year, accounting for approximately 50 percent of bank proprietary fund assets. The 37 nonbank-related mutual fund companies that participated in the 1995 survey represented 59 percent of such companies offering funds through banks that year. In 1991, 33 nonbank-related mutual fund companies participated in the survey, representing 59 percent of the mutual fund companies offering nonbank-related funds through the bank channel that year. However, 10 of the 12 largest nonbank mutual fund companies that sell through banks, according to *The Cerrulli-Lipper Analytical Report: State of the Bank Securities Industry, 1996*, participated in the 1991 and 1995 surveys, as well as the 1992, 1993, and 1994 surveys.

Figure 2

Proprietary Mutual Funds Reporting Sales Through Banks, 1991-1995[1]

(percent)

	1991		1992		1993		1994		1995	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Bond and income	114	32.9	186	38.1	328	43.3	412	43.0	476	42.6
Equity	66	19.0	104	21.3	186	24.5	263	27.4	328	29.4
Money market	167	48.1	198	40.6	244	32.2	284	29.6	312	28.0
Total	347	100.0	488	100.0	758	100.0	959	100.0	1,116	100.0

[1]The composition of the sample reporting data varied from year to year.

Figure 3

Nonproprietary Mutual Funds Reporting Sales Through Banks, 1991-1995[1]

(percent)

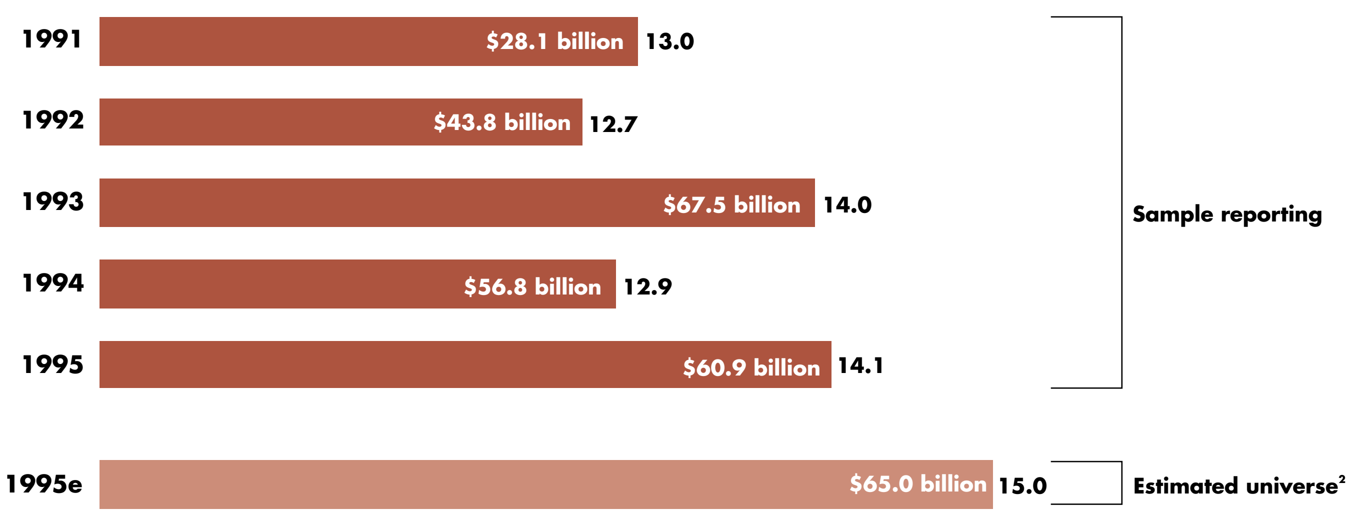
	1991		1992		1993		1994		1995	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Bond and income	353	46.9	421	50.7	529	51.8	588	52.8	619	51.0
Equity	255	33.9	266	32.1	337	33.0	371	33.3	430	35.5
Money market	145	19.2	143	17.2	156	15.2	154	13.9	164	13.5
Total	753	100.0	830	100.0	1,022	100.0	1,113	100.0	1,213	100.0

[1]The composition of the sample reporting data varied from year to year.

Figure 4

New Sales of Long-term Mutual Funds Through the Bank Channel, 1991-1995[1]

(percent of new sales of all long-term funds)



e=estimate

[1]New sales are sales of mutual fund shares, including conversions of trust assets, but excluding sales charges, exchanges, or reinvested dividends and capital gains. The composition of the sample reporting data varied from year to year.

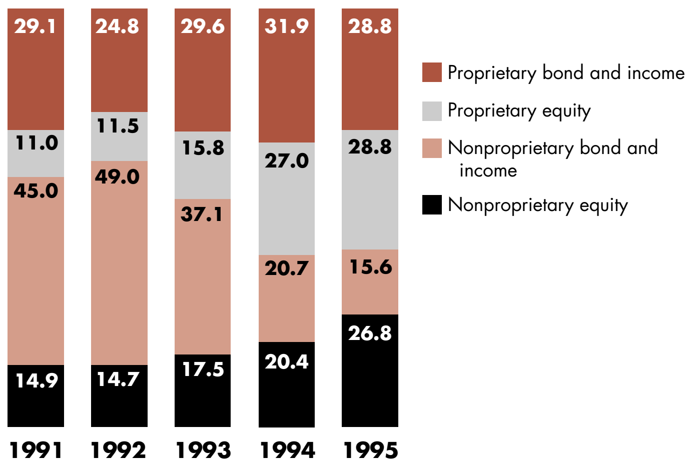
[2]Developing the estimated universe involved estimating the new sales of long-term mutual funds through the bank channel for the banks and mutual fund companies with bank sales that chose not to participate in the 1995 survey. For banks, this was done in a two-part process. The first step of the process was to use data from Lipper Analytical (Lipper Bank-Related Fund Analysis, 1996) *to identify nonreporting banks' proprietary fund assets. In the second step, the ratio of new sales to assets for reporting banks was applied to the proprietary fund assets of nonreporting banks to develop an estimate of new sales of long-term funds attributable to proprietary funds. For the nonbank-related companies with sales through the bank channel that did not report specific sales data, each provided an estimate of new sales through banks. These estimates were added to the nonproprietary new sales.*

Note: Total new sales of long-term funds for the industry were $215.6 billion in 1991, $344.8 billion in 1992, $483.0 billion in 1993, $438.7 billion in 1994, and $431.6 billion in 1995. The estimated universe of new sales of long-term funds was $434.1 billion in 1995. These figures differ from those reported in the Institute's Trends *release because the bank sales survey routinely includes banks either not reporting or not included as nonreporters in* Trends.

Figure 5

Distribution of New Sales of Long-term Mutual Funds Through Banks, by Type of Fund, 1991-1995[1]

(percent)



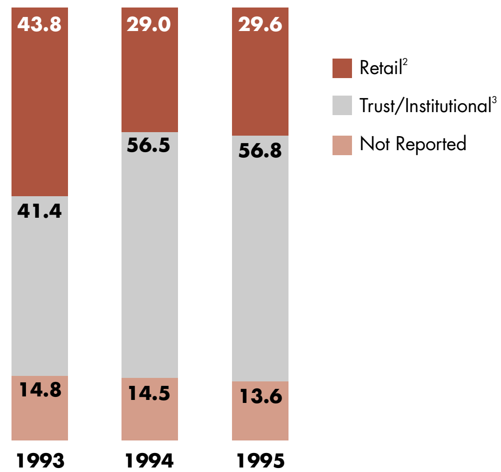
[1]*The composition of the sample reporting data varied from year to year.*

Note: Based on the sample reporting, total new sales of long-term funds through the bank channel was $28.1 billion in 1991, $43.8 billion in 1992, $67.5 billion in 1993, $56.8 billion in 1994, and $60.9 billion in 1995.

Figure 6

Distribution of New Sales of Long-term Mutual Funds, by Bank Department, 1993-1995[1]

(percent)



[1]*The composition of the sample reporting data varied from year to year.*
[2]*Includes all types of accounts sold to individuals other than through personal trust.*
[3]*Includes institutions, corporations, personal trust, and employee benefit accounts.*

Note: Based on the sample reporting, total new sales of long-term funds through the bank channel was $67.5 billion in 1993, $56.8 billion in 1994, and $60.9 billion in 1995.

New Sales of Long-term Funds Through Banks

Funds participating in the 1995 survey reported new sales of long-term funds sold through banks totaling $60.9 billion. Adding an estimate for funds not participating in the survey, new sales of long-term funds sold through banks were $65.0 billion in 1995.[4] As a percentage of total mutual fund industry sales, new sales of equity and bond and income funds sold through banks remained fairly constant between 1991 and 1995 (Figure 4).

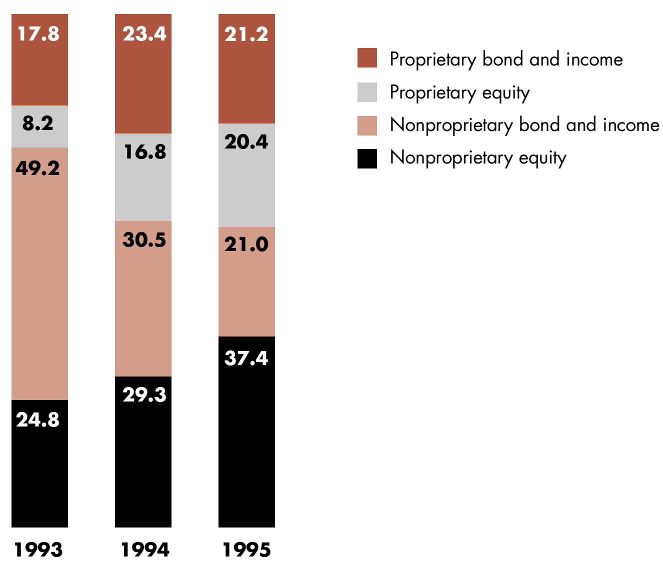
Proprietary funds accounted for 57.6 percent of new sales of long-term funds sold through banks in 1995, up from 40.1 percent in 1991. Bank new sales of long-term funds attributable to proprietary equity funds grew steadily between 1991 and 1995, from 11.0 percent to 28.8 percent. Bank new sales of long-term funds attributable to nonproprietary equity funds reached 26.8 percent in 1995, up from 14.9 percent in 1991 (Figure 5).

Similar to the results in the 1994 survey, 56.8 percent, or $34.6 billion, of banks' new sales of long-term funds originated in trust/institutional departments in 1995; another 29.6 percent, or $18.0 billion, came

Figure 7

New Sales of Long-term Mutual Funds Through Banks Retail Departments, By Type of Fund, 1993-1995[1]

(percent)



[1]*The composition of the sample reporting data varied from year to year; retail includes all types of accounts sold to individuals other than through personal trust.*

Note: Based on the sample reporting, total new sales of long-term funds through the bank retail departments was $29.5 billion in 1993, $16.4 billion in 1994, and $18.0 billion in 1995.

[4]New sales of long-term funds were estimated for the funds of five bank proprietary fund companies and for the bank-distributed funds of 26 nonproprietary fund companies. Including these estimates raised the share of new sales of long-term funds attributable to the bank channel from 14.1 percent to 15.0 percent of total new sales of long-term funds.

from bank retail departments. The funds participating in the survey did not report a source for the remaining 13.6 percent, or $8.3 billion. The proportion of new sales of long-term funds attributable to trust conversions is not known (Figure 6).

Retail

In bank retail departments, proprietary funds accounted for 41.6 percent of new sales of long-term funds, up slightly from 40.2 percent in 1994. In 1993, however, proprietary funds accounted for only 26 percent of bank retail departments' new sales of long-term funds (data not available prior to 1993). Equity funds steadily increased their share of new sales of long-term funds through bank retail departments during this three-year period, reaching 57.8 percent in 1995, a 24.8 percentage point increase over 1993 (Figure 7).

Trust/Institutional

In bank trust/institutional departments, proprietary funds' share of new sales of long-term funds was 77.3 percent in 1995, slightly lower than the 78.7 percent held by such funds in 1994, but well above the 65.1 percent held in 1993 (Figure 8). As in bank retail departments, equity funds increased their share of new sales of long-term funds through bank trust/institutional departments between 1993 and 1995, reaching 50.9 percent in 1995, a 16.9 percentage point increase over 1993.

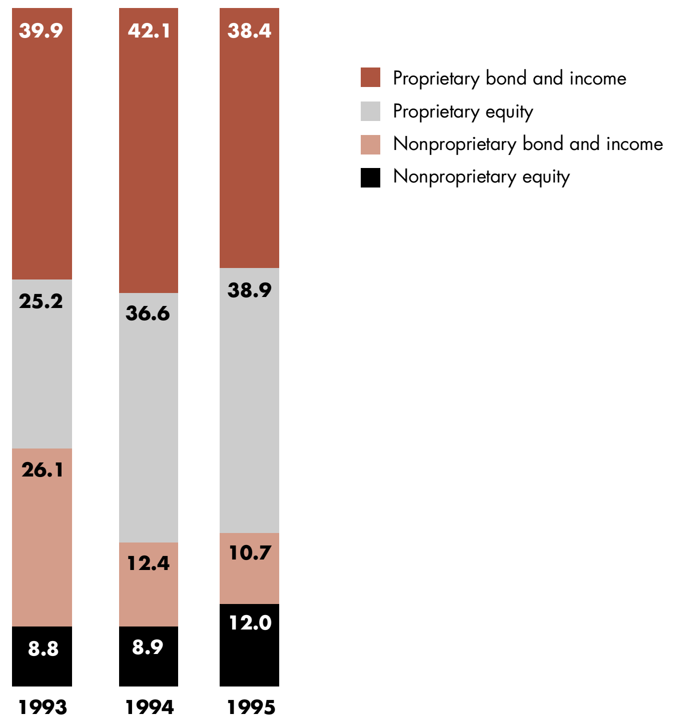
Fund Assets Attributable to Bank Sales

In 1995, 15.3 percent, or $434.4 billion, of total mutual fund industry assets originated from sales of mutual funds through banks. In 1991, 11.6 percent, or $158.2 billion,

Figure 8

New Sales of Long-term Mutual Funds Through Bank Trust/Institutional Departments, by Type of Fund, 1993-1995[1]

(percent)

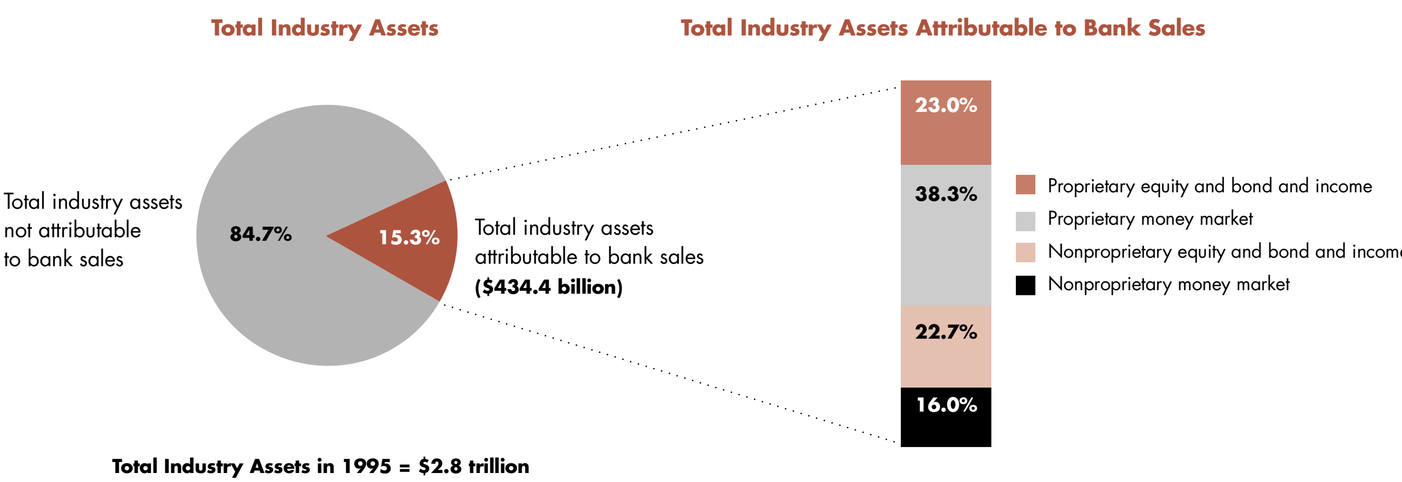


[1]The composition of the sample reporting data varied from year to year; trust/institutional includes institutions, corporations, personal trust, and employee benefit accounts.

Note: Based on the sample reporting, total new sales of long-term funds through the bank trust/institutional departments was $28.0 billion in 1993, $32.1 billion in 1994, and $34.6 billion in 1995.

Figure 9

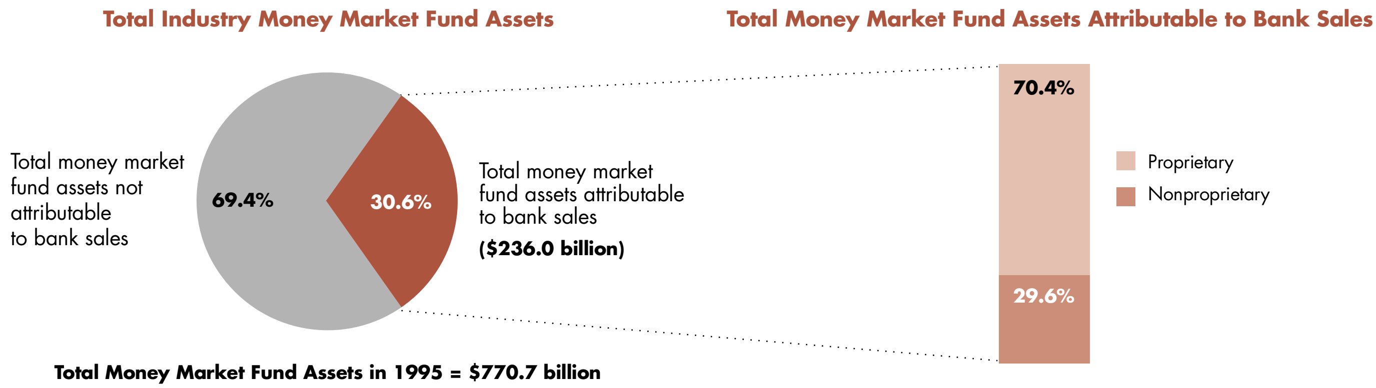
Mutual Fund Assets Attributable to Bank Sales, 1995[1]



[1]Seven nonproprietary fund companies representing 3.3 percent of total industry assets could not report fund assets attributable to bank sales.

Figure 10

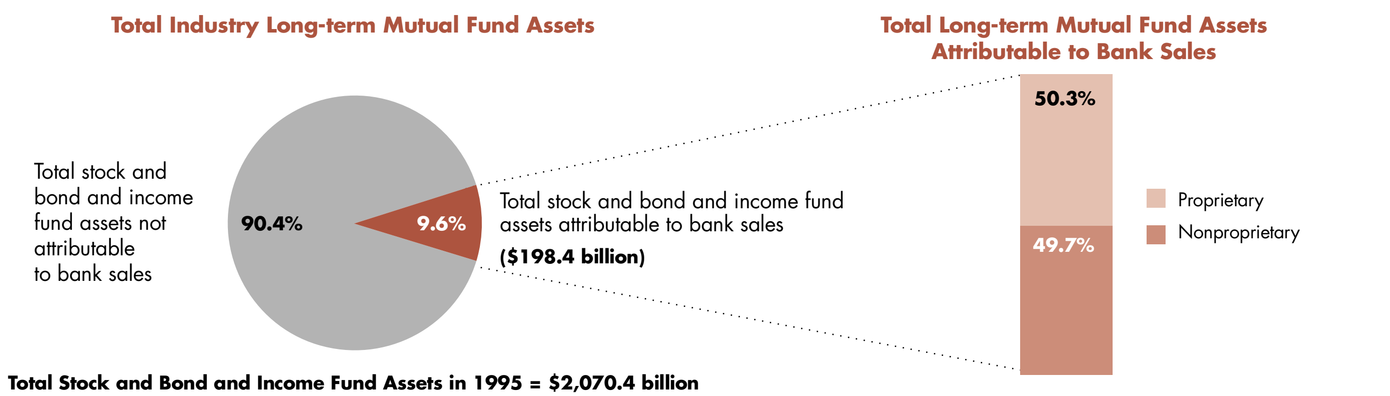
Money Market Mutual Fund Assets Attributable to Bank Sales, 1995[1]



[1]*Five nonproprietary fund companies representing 3.3 percent of total industry money market fund assets could not report fund assets attributable to bank sales.*

Figure 11

Long-term Mutual Fund Assets Attributable to Bank Sales, 1995[1]



[1]*Seven nonproprietary fund companies representing 3.3 percent of total industry long-term fund assets could not report fund assets attributable to bank sales.*

of total fund assets were attributable to the bank channel. Money market funds represented 54.3 percent, or $236.0 billion, of total industry assets attributable to bank sales in 1995, and long-term funds accounted for 45.7 percent, or $198.4 billion. In contrast, money market funds accounted for 77.6 percent, or $122.7 billion, of total industry assets attributable to bank sales in 1991 whereas long-term funds represented 22.4 percent, or $35.5 billion. Proprietary funds accounted for 61.2 percent in 1995, or $266.0 billion,[5] of total industry assets attributable to bank sales, and nonproprietary funds represented 38.8 percent, or $168.4 billion (Figure 9).

As a percentage of all mutual fund industry assets in money market funds, banks accounted for 30.6 percent in 1995, up from 22.4 percent in 1991, 26.8 percent in 1992, 28.7 percent in 1993, and 28.7 percent in 1994. Bank proprietary money market funds represented 70.4 percent, or $166.2 billion, of money market fund assets attributable to bank sales in 1995, up from 37.4 percent, or $45.9 billion, in 1991 (Figure 10).

In contrast, the share of industry long-term fund assets attributable to bank sales was 9.6 percent in 1995, up from 4.4 percent in 1991, 7.2 percent in 1992, 8.7 percent in 1993, and 8.9 percent in 1994. Of long-term fund assets attributable to bank sales, the portion contributed by proprietary funds grew from 37.0 percent, or $13.2 billion in 1991 to 50.3 percent, or $99.8 billion, in 1995 (Figure 11).

[5]*The Cerrulli-Lipper Analytical Report: State of the Bank Securities Industry, 1996* estimates 1995 bank proprietary fund assets to be $306.2 billion. The disparity between the Institute's and Cerrulli-Lipper's bank proprietary fund assets likely reflects definitional differences. For example, unlike the Institute, Cerrulli-Lipper include as proprietary funds those funds that are advised by a particular bank but are not sold as proprietary funds through that bank. In addition, the Institute includes only bank proprietary funds assets that are sold through the bank, whereas Cerrulli-Lipper include assets of bank proprietary funds sold through nonbank channels, such as full-service brokers, financial planners, or insurance agents. Also a factor in the difference, the Institute's figure of $266.0 billion excludes the proprietary fund assets of banks that did not participate in the 1995 survey.

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