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NEWS RELEASE

BoNY SUBSIDIARY OUTLINES ADVANTAGES OF MANAGED ACCT

Pershing Outlines Managed Acct Utility

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Originally Published By Andrew Willmont, Fund Fire

Pershing is on the brink of launching a managed account hub that it hopes will connect hundreds of managers and sponsors together. Executives from the Bank of New York subsidiary spoke yesterday about the forthcoming platform to a gathering of industry executives in New York.

Attendees at the Money Management Institute's *Managed Account Solutions* conference heard about a platform which Pershing hopes will greatly simplify managed account operations.

"What is the managed account utility?" asked David Reinhart of Pershing Managed Account Services, a group which pulls together BoNY subsidiaries Lockwood Financial, Electronic Managed Account Technologies and Pershing itself. "In short, it is all the technology and operations necessary to launch a sponsor platform, coupled with a pool of investment managers," Reinhart explains. "It is a non-advisory money manager platform, scheduled for launch in mid-November."

The goal is to provide sponsors and managers with low-cost access to each other. Sponsors can create their own managed account programs drawing on the unlimited pool of managers on the platform. They can either bring their own due diligence to the process, or hire it from someone else, Reinhart notes.

Managers, in turn, can sign one contract with Pershing and connect with scores of different sponsors through one standardized platform. There is a one-time set-up fee of \$10,000 for managers and then an annualized fee of six basis points for equity assets and four basis points for fixed-income assets on the utility, according to Pershing literature at the conference.

This is the most exciting opportunity in many years for managers, in terms of distribution outside the wirehouses, comments Daniel Seivert, who spoke to *FundFire* at the conference. Seivert is a managing partner at 3C Financial Partners, a merchant bank that provides investment banking and strategy consulting for developers and distributors of investment products and services. Currently, managers looking outside the wirehouses have the choice of going to independent advisors directly or through third-party platforms. But, most third-party platforms have limited distribution, Seivert notes. The new Pershing platform has the potential to reach hundreds of broker/dealers, he points out.

Pershing is connected to more than 800 independent broker/dealers, says Reinhart. That represents about 100,000 advisors and client assets of about \$500 billion. "If we can touch just 25% of those, that's equivalent to Merrill Lynch and Smith Barney," he points out.

Seivert agrees with the analysis. He estimates that there are about 250,000 registered reps in the U.S. with 50,000 of those at the five wirehouses. About 10% of wirehouse reps are meaningful sellers of managed accounts, Seivert says. Outside the wirehouses, maybe 4,000 advisors sell managed accounts in a significant amount. Pershing could level the playing field between the wirehouses and the rest of the industry, Seivert says.

"We need to make separately managed accounts as operationally and administratively efficient as mutual funds," says Donald Marchesiello of Pershing Managed Account Services. The platform should put the manager back in control of distribution, he believes. "They can be in multiple sponsor programs, but all through the same pipes and plumbing," he explains. Managers will also be in control of pricing and setting fees and minimums.

From the sponsor's perspective, the platform allows them to keep assets at their own broker/dealer. Before, products had to be held at a third-party platform's broker/dealer, Reinhart notes. This gives the broker/dealer the economic benefits of having assets as their own book of business, he continues.

One factor that Pershing must be aware of is the need for education, 3C's Seivert points out. "It's incumbent on Pershing to sell this. They can't assume that the broker/dealers will just pull it down because it's there," he explains. "Once the broker/dealer is signed up, Pershing's wholesalers must educate reps to sell the product, as must the managers."

Reinhart says that Pershing is aware of the necessity for education. Pershing will support the effort with two sales teams. The institutional one will support the home office, while regional directors go out in the field to work with advisors.

Bank of New York bought Lockwood and EMAT last August. It purchased Pershing this spring.

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ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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