



ECHELON
PARTNERS
Visionary Advice. Execution Excellence.

NEWS RELEASE

PERSHING MERGES WEALTH ADVISOR PLATFORMS

Oct 8, 2007

Originally Published By Tom Stabile, Fund Fire

The Bank of New York Mellon¹ is blending similar elements of its Pershing² and Lockwood³ affiliates into a new unit. The transition is already under way, and will coincide with a leadership change sparked by the retirement of **Len Reinhart**, president and cofounder of Lockwood.

The affiliates, which have a combined \$55 billion in assets under administration, have offered investment and technology platforms to various channels of the high-net-worth advisor market since they were both acquired by **Bank of New York** in 2002. Lockwood has operated most of that time as a separate affiliate within Pershing. The Bank of New York itself merged with **Mellon Financial** earlier this year.

The net effect of the new unit is the creation of a larger menu of products for advisors of many stripes, Reinhart says. He will retire at year's end and remain as a consultant in 2008.

"We're combining all fee-based advisory and non-advisory services, and all of Lockwood's turnkey and managed account offerings, so it's a whole suite for the advisor market," he adds.

The new Pershing Managed Account Solutions unit will operate under the larger Pershing banner, which includes custody, trading, investment, and management tools for the asset management industry. While its framework already exists, the new unit won't have its first chief in place until January, when **Jim Seuffert**, the other Lockwood cofounder and its current COO, takes over. He will also become president for Lockwood Capital Management and Lockwood Advisors, which will continue to exist as parts of the new unit.

The division will combine the operations, marketing, compliance, due diligence, technology, product development, and sales functions from Pershing and Lockwood and will serve the 80 financial institutions and 2,000 RIA firms that make up their client base. But it will still largely use the Pershing name to market its platform and tools for financial institutions with high-net-worth clients, and employ the Lockwood name for the separately managed account products that mostly serve the independent registered investment advisors (RIA) market. Pershing had more than \$30 billion in assets under administration and Lockwood had about \$20 million under administration.

Reinhart says he decided to retire earlier in the year, and that the company felt it was better to have him announce it publicly before it rolled out the changes. The new set-up is expected to facilitate "fairly dramatic growth," Reinhart says. Of the \$1 trillion serviced by Pershing's custody program, only about 7% is in managed or fee-based advisory programs, and he says that it's reasonable to target 25% for the future.

"The fee-based world is where the commission dollars are going," he adds. "This offering makes it easier for broker-dealers and advisors to get to it."

The combined program will retain Pershing's open architecture approach, including platforms created by turnkey asset management providers other than Lockwood, Seuffert says.

"The objective is to present to the market a uniform, user-friendly, one-stop shop experience to do managed accounts across multiple providers," he adds.

The merging makes sense, and may even be overdue, says **Daniel Seivert**, CEO and managing partner of Echelon Partners⁴, an investment bank and consulting firm in Manhattan Beach, Calif. But it also reflects an evolution that followed previous consolidation efforts combining legacy Bank of New York and Pershing advisor platforms.

"For marketing, it's better to maintain the product identities they had established," he says. "But for the nuts and bolts – the systems and the architecture – there is no need to have separate platforms [for the different channels]."

Lockwood's name has long been associated with separately managed accounts for RIAs, which was its focus when it launched in 1995, Seuffert says. The name is valuable enough that it will remain in circulation, he adds.

But all customers will essentially be coming through the door of the new Pershing division, he adds. That means that along with Lockwood, the new unit will house the operations of products such as Peak, Managed Account Network, Managed Account Direct, the Advisor Directed UMA platform, and the AVAIL fee-based brokerage accounts for international customers.

The new umbrella is already ushering in initiatives such as streamlined performance reporting for clients from products across the platform, Seuffert says. Another new feature will be expanded retirement-planning tools that will market annuity-based portfolio strategies.

A few items in the transition are still being worked out, particularly the organizational structure. Reinhart says the plan calls for adding 30% more staff because of the effort to grab more business from clients on Pershing's custody program. There are currently 225 people in the combined unit, Seuffert says.

Seivert says the main questions that Pershing faces include what to do with redundant parts, systems, and positions. And while clients will largely benefit from additional products, services, and capabilities, the unit's leaders should prepare for the "tyranny of choice" they create – and provide tools and training for advisors and investors to find the right investment solutions without too much difficulty.

ABOUT ECHELON PARTNERS

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.

Daniel Seivert
Managing Director
dseivert@echelon-group.com

Tyler Resh
Principal
tresh@echelon-group.com