



**ECHELON**  
PARTNERS  
Visionary Advice. Execution Excellence.

## NEWS RELEASE

### *RBC EAGER TO EXPAND ITS NEW RIA CUSTODY BUSINESS*

August 7, 2008

Originally Published By Thomas Coyle, Family Wealth Report

The Royal Bank of Canada (RBC) is looking to take market share from established RIA custody providers like Schwab, Fidelity and TD Ameritrade. The Toronto-based bank says a comprehensive custody, brokerage-service and wealth-management-support platform and its experience in the retail-brokerage and correspondent-clearing businesses makes it a compelling service provider to de novo investment advisors, especially ones that are also keen to remain registered as brokers.

"We are focused on aggressively attracting advisors to our new platform," says Craig Gordon, president of RBC Advisor Services, a unit of RBC Capital Markets. "We fill a gap in the current marketplace by providing a premiere offering for RIAs to support their relationships with high-net worth families and their distinctive needs, such as credit and lending products, trust services, investment research and capital markets' solutions."

Trickle to flood

The RIA custody space is big, and likely to grow substantially. Right now, nearly 30,000 independent RIAs manage a total of \$2.4 trillion in assets, according to **Echelon Partners**, a Los Angeles-based investment-banking and consulting firm. But there are another 270,000 advisors providing fee-based investment advice from other channels. A mere trickle from this stream to RIA status -- say, one in a hundred every year -- would amount to a comparative torrent of new RIAs, says Echelon's CEO **Dan Seivert**.

There are compelling reasons for some advisors to establish independent investment advisories. A big one is the chance to build a business that can eventually be sold -- in preference to retiring with a gold watch and, at best, a few years of step-down payout on a book of business that may have been decades in the making.

In addition, far from raising concerns about a lack of affiliation with larger institutions, independence is viewed favorably by high-net-worth clients who equate it with advice unfettered by home-office dictates and, these days especially, free from the stigma of poor corporate oversight, write-downs and sovereign-fund bailouts.

Moving from a brokerage to set up an RIA is a complicated and exacting process, however. But then support from specialist outsourcers, custodians and other vendors to the space makes the transition easier to countenance.

For all the attractions of providing custody, trading and other services to RIAs, RBC Advisor Services faces a steep slope if it hopes to rival more established players. Right now RBC Advisor Services custodies about \$1 billion in RIA-managed assets -- a far cry from Schwab Institutional's nearly \$570 billion, Fidelity Institutional Wealth Services' (FIWS) \$341 billion and the \$100 billion or so at TD Ameritrade's Institutional division.

Ready made

Rather than chase the top three, however, RBC has its sights on a specialty offering to dual registrants, says Gordon. That's a segment in which Pershing's Advisor Solutions and LPL Financial's new Institutional Services unit are prominent.

Fittingly, RBC's play for RIA assets resembles aspect of both of these providers' offerings.

Like Jersey City, N.J.-based Pershing, RBC has an established correspondent-clearing business. RBC Correspondent Services -- another unit RBC Capital Markets that Gordon runs -- supports about 170 broker-dealers with a total of 4,000 advisors. This gives it the ability to support dual registrants on a single platform, says RBC Advisor Services' senior v.p. Daniel Cronin, a recent hire from Fidelity IWS.

And like Boston- and San Diego-based independent broker-dealer LPL, RBC has a ready pool of potential RIA-bound brokers close to hand. Retail brokerage RBC Wealth Management, formerly RBC Dain Rauscher, has about 1,800 brokers.

Although a force of 1,800 brokers isn't likely to throw off too many RIAs, access to a pool of advisors who might make the move anyway coupled with the fact that RBC already provides correspondent-clearing services makes the switch to supporting RIAs a logical and, probably, a cost-effective move.

"They already have a service platform in place, so the incremental cost of serving RIAs isn't going to be that much," says Seivert. "It's the old formula of opportunity cost, and in this case it seems to work in [RBC's] favor."

## 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