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NEWS RELEASE

SEI REPLACES BANK OF NEW YORK AS ING'S BACK OFFICE ADMINISTRATOR

ING Switches Managed Acct Ops to SEI

September 8, 2006

Originally Published By Gregory Shulas, Fund Fire

ING Investment Management has selected SEI to replace Bank of New York as the back-office administrator of its separately managed account (SMA) business.

The deal represents the first time that a SMA manager has switched outsourcing providers because the provider was leaving the business, and marks the second switch overall in the industry. In April 2005, SEI was also the winning firm after TCW Investment Management unexpectedly dropped Mellon as its partner.

ING went on the prowl for a new provider this spring when its outsourcing partner, The Bank of New York, became the first company to bow out of the increasingly competitive SMA outsourcing marketplace. ING's managed account unit has approximately 7,000 accounts with more than \$3 billion in assets under management.

David Bercaw, senior v.p. of business support and operations for ING Investment Management, says Bank of New York's departure did not diminish his belief in outsourcing. Like other industry professionals, Bercaw finds that outsourcing firms can reduce the workload and costs of asset managers by taking over cumbersome, expensive and labor-intensive back-office operations.

"It is all about what we are in business to do," Bercaw says. "We are an investment management firm and our goal is to generate results for our clients. It is very important that back-office operations are done in a timely and efficient manner but it is not something that we necessarily have to do ourselves."

Bercaw says in searching for a replacement it quickly became clear that the SMA outsourcing market is more competitive than when ING made its original decision four years ago.

"In 2002, there was just State Street and Bank of New York. Today, there is Mellon, SEI, PFPC, Citibank and State Street," he says. JPMorgan Chase and BISYS are also active vendors in the space. "There are many quality players in the SMA outsourcing business. They all have various offerings. There is no clear, hands-down winner."

ING ended up selecting SEI because of its electronic workflow management system and the firm's stable roster of existing clients, he says. The fact that SEI has been a back-office administrator to ING's hedge fund of funds program also helped its cause.

"SEI had a stable book of business. They were already in the business. They have very good knowledge of APL," he says, referring to the CheckFree software that supports SMA back-office operations. "There are tough choices in the market and they are well-known and have the reputation of being leaders."

From 1995 to September 2006, the managed account industry has witnessed approximately 28 publicly-announced outsourcing deals. So far, 2006 has yielded six deals, half of which have been won by Citigroup Global Transaction Services. The industry boasted 10 transactions in 2005.

It's unclear if ABN AMRO, Bank of New York's other SMA outsourcing client, has yet chosen a replacement firm. ABN AMRO executives were unavailable for comment Thursday.

Daniel Seivert, managing partner at investment bank and strategic consultancy 3C Financial Partners in Manhattan Beach, Calif., agrees with Bercau's assessment that the marketplace is becoming more competitive. That competition makes SEI's deal even more impressive.

"I think it is harder to win take-away deals. The fact that SEI has won the only two take-away deals that have occurred to date shows that they are willing to do the extra heavy-lifting that is necessary in such deals," he says.

Seivert expects more firm will want to work with outsourcing providers that have a consistent client pool. Bank of New York's exit highlights the importance of scale in the industry, he says.

"ING was one of the early adopters of outsourcing and at the time most of the service providers were just getting into the business, making it more difficult to choose the right horse for the long haul. All outsourcing customers need to see their outsourcing partner grow in the accounts they handle and services they offer," he says. "The Bank of New York was having difficulty with the former and was left with the unattractive prospect of doubling down on their investment in the space.

"Unless you can handle additional clients and accounts and generate the resulting revenue, it gets harder and harder to develop the solutions you need to gain and retain clients," he adds.

For SEI, ING will be its seventh manager client, including five SMA deals that have been publicly announced. Along with ING and TCW Investment Management, the firm is servicing accounts for MFS Investment Management, Haverford Financial Services and Transamerica Investment Management.

SEI has approximately \$18 billion in non-proprietary SMA manager accounts and approximately 70,000 such accounts overall.

John Alshefski, head of business development for SEI's Investment Manager Services unit, says several factors are helping drive its current growth. "We have a great conversion experience. We have a wonderful relationship manager model," Alshefski says. "It is a fully transparent system. The feedback we get is that clients are getting greater transparency than before."

Under SEI's contract with ING, it will conduct account administration, reconciliation, business processing and performance reporting for ING. SEI will also provide ING with Web-accessed real-time account information and electronic workflow support systems.

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