

Technology Differentiators for Wealth Management Firms

A significant percentage of wirehouse brokers is looking to make a change regarding the firm that they work for, and those advisors were likely exposed to relatively sophisticated wealth management technology while at the wirehouses, according to research from Aite Group presented at a webcast on “The Changing Face of Wealth Management Technology,” sponsored by Interactive Data. What’s more, 64 percent of advisors surveyed by Aite Group see technology as a major factor when deciding whether to work for a particular firm.

Webcast panelists, who included Doug Dannemiller, senior analyst, Aite Group, Ken Jones, technology product manager, Raymond James, and Dennis Layden, director, technology products and services, Pershing, discussed three areas where technology can be a differentiator for wealth management firms: data aggregation, front-to-back office integration, and investment product analysis, selection and trading.

Addressing the matter of data aggregation, Dannemiller said, “It’s a hot button for the industry because it cuts two ways. It affects the efficiency of the rep and the look and feel of the desktop, which is a recruiting tool. It also enables the compliance department.”

Raymond James is developing a new advisor desktop that gives the firm the ability to add in third-party and internal data and services, and is adding a service from Albridge Solutions that consolidates client account data from banking, brokerage, insurance, retirement, managed accounts, alternatives, and trusts sources, said Jones. “In addition, we’re enhancing the FA and client experience by continuing to be smarter about how we deliver content like fundamental and product data,” he said.

For its part, Pershing has recently rolled out NetX360, designed to be a complete solution for managing an FA’s business. Pershing, which recently acquired Albridge, will also be incorporating consolidated client account data. “A lot of the functionality we are going to be building within the next year to 18 months will help advisors manage clients’ entire portfolio, including fee-based accounts, annuities, 529s and alternative investments, to really help the advisor become the primary advisor and therefore get the most wallet share,” said Layden.

Front-to-back-office integration

On the topic of front-to-back office integration, Layden explained that in order to give Pershing customers choice, the NetX360 offering is designed to have many solutions. “We will have multiple financial planning products, multiple proposal systems, etc., with single sign-on, no need to re-key, and full integration with the back office. What we’re moving forward with is the ability to tie many of those vendors together through the Pershing platform. But what’s most important is you’re able to start from the proposal

and go all the way through financial planning, setting up the trade, and then your post-trade activities as well,” said Layden.

Layden noted that Pershing is also planning to introduce some tools to facilitate better communication between client and advisor. “We’ve recently integrated chat, which will be released shortly, which allows the advisor to communicate with their sales assistant and back office. Where we see that going is the ability to integrate that into end investor portals.” Pershing is also looking at providing financial planning solutions that would allow clients to go online and do ‘what ifs’ with their portfolios, and also allow them to reach out instantaneously to their advisor. “The technology has evolved to a point where you can sit there and iteratively work on a financial plan from 100 miles away,” Layden said.

One challenge in integration involves third-party research. On this topic, Jones said, “We take in research from a couple of third parties--CSFB and Barclays, and we have our own internal research. Each one of those sources has different disclaimer and access entitlement requirements. Integrating these communications into applications like CRM is also a critical component to ensure can go back and monitor specific topics that were being discussed,” he said.

Jones added that a hosted technology model provided by Interactive Data has helped Raymond James shorten its development cycles and more rapidly deploy technology to its advisors. “We’re depending on our vendor, which has the expertise to manage that cloud and serve up the front-end pieces to our FAs without us having to build a lot of those components. It has allowed us to be very agile with the deployment of our market data solutions and will be leveraged further within our Advisor Desktop,” he said.

Dannemiller commented that, “Front-to-back office integration is all about efficiency for the FA, and the ability to conduct business and get it posted into the system in a quick and efficient manner.” Most importantly, it’s being able to track potential opportunities, he said. “The ability to have integrated workflow with electronic sign-off with documents attached greatly increases advisors’ efficiency,” he said. “Being able to see that in real time is a huge differentiator and a big deal for the FAs and I think going forward will be part of what eventually, years from now, will be part of the requirement.”

Product analysis, selection and trading

As advisors’ clients’ investment parameters expand from North American investments to emerging markets securities, and from mutual funds to ETFs and fixed income securities, advisors increasingly need the tools to support those types of investments.

“Our customers’ clients go out and read something on ETFs and all of a sudden they’re convinced they need to be in ETFs, or fixed income, or 529s. Our job is to give the advisor all the tools they need to have that intelligent conversation with their end client and to steer them in the right direction,” said Layden.

Layden added that clients are increasingly interested in investing in global markets, and because the NetX360 platform is based on hosted technology, the addition of new global data is no longer a technological challenge. “We get an exchange agreement in place, say Singapore, and we sign off, pick up the phone and call Interactive Data and we turn that market on and it goes across our products. Pershing is about to release somewhere between 15 and 17 new global exchanges without all of the technology overhead and expense that we’d [otherwise] need that would eventually get passed along to our customers in one way or the other,” he said.

The challenge for wealth management firms with a product such as ETFs, explained Dannemiller, is not only having information on the ETF universe, but also understanding the underlying investment, how the security trades and deciding what type of strategy will be utilized. Without that information, he said, “You can’t really get to a compliant and fully understood solution for your customer. So there’s a steep curve and I think technology will play a key role in utilizing ETFs effectively.”

“At Raymond James, the compliance group is taking a keen interest in what we’re going to do around ETF suitability and making sure that the underlying investments meet investment objectives and suitability from a compliance perspective,” said Jones. “The need to drill down into the underlying investments within the ETF in order to classify them more accurately is going to be paramount in the next few months here, especially as more regulation is coming down the pike,” he said.

Jones also touched on Raymond James’ use of Interactive Data’s software as a service or cloud technology. Raymond James is using both Interactive Data’s XML datafeed and its Market-Q web-based desktop. With respect to the XML feed, Jones stated, “We were able to eliminate all of the pipes from the previous vendor, get rid of the infrastructure and it has worked out phenomenally.” Interactive Data hosts Market-Q, and Raymond James uses Internet connections and three-second conflation for that service. “It’s been implemented for over a year and it’s been a great success,” said Jones.

Interactive Data, which sponsored the webcast, offers a broad range of services for wealth management firms, including a family of customizable web-based solutions as well as an array of market data services.

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