

The Case for Connectivity: Creating an Exchange Across the Managed Accounts Industry

The next generation of wealth management technology simplifies connectivity between asset managers and managed account sponsors for a streamlined workflow and greater efficiency across the managed accounts industry.

Asset managers who have sought to increase distribution and grow their business have been encumbered by inefficiencies in trading, exaggerated when engaged across multiple sponsor platforms. This has been due in large part to the absence of standardization across sponsors, multiple points of access, weak consolidated reporting and difficulty with enterprise oversight. Managers not responsible for trading but who participate in model-portfolio programs suffer the same challenges of efficiency with regard to the exchange, communication and reporting of model data to and from sponsors.

Technology is now solving these challenges and providing an industry standard for trading and communicating across sponsor platforms, simplifying connectivity for managers through a single point of access, and allowing for greater oversight while reducing inefficiency and risk. In short, technology is providing entry into a much larger marketplace for wealth management industry participants.

Connectivity Matters

According to wealth management research firm Cerulli Associates, managed accounts are expected to grow at an average of 16 percent annually to over \$7 trillion in assets under management by 2018. The majority of that growth will be on the sub-advised separately managed and unified managed accounts side, with substantial gains expected in model portfolio growth.

With such growth comes the need for enhanced, standardized digital connectivity to support managed accounts and model delivery programs. However, inefficiencies and the absence of industry-standard communications along with multiple sponsor platforms require manager firms to access different systems to perform manual, repetitive processes. This has had an adverse effect on revenue and business growth.

Whether you're an asset manager, sponsor, custodian, advisor, or even a vendor or partner, connectivity within the wealth management industry has been historically disparate and inefficient. As a result, it's difficult for industry players to establish seamless communications. This lack of a communication standard also means inefficiencies for managers and sponsors alike in trading and execution as well as model management. Asset managers may feel the absence of standardized communication the most, as they trade with multiple sponsors on platforms that each have their own customized processes and file formats. This has hindered revenue growth and their ability to increase volumes and grow their client base.

Single Exchange, Standardized Communication

A fragmented distribution channel hinders revenue growth as managers struggle to handle volumes without simplified access to a network of sponsors and custodians. In addition, when asset managers implement investment strategy changes across multiple sponsor platforms and systems, they must move

among screens with different navigations and behaviors while keeping track of several logins, passwords and tasks. This makes interaction burdensome and time consuming with manual, repetitive processes.

A single access point for managers will streamline the workflow process and create a marketplace by providing real-time connectivity that serves as a standard for the industry. Through such an exchange, asset managers can communicate with sponsors in a secure and auditable manner via a web-based interface that automates data collection, modeling and trading notifications across multiple sponsor destinations—all through a single sign-on. A manager exchange simplifies the entire process of managing accounts by consolidating access to critical data and portfolio management tools. A standardized distributional channel helps drive growth while simultaneously increasing operational efficiency and improving consolidated enterprise reporting and oversight.

A Digital Destination for the Wealth Management Industry

Today, we see industry players coming together to create the network of the future. Technology is bringing sponsors, managers, custodians and third parties together in a way that allows for much needed connectivity between managers and multiple sponsor programs. This new network provides comprehensive, real-time information to advisors to help them better manage investor assets, ultimately connecting the industry and participants together in a very efficient and powerful way.

Delivering a standardized data exchange through a single point of access to a network of sponsors will help empower the wealth management industry and drive growth. And creating a digital destination enables wealth management participants to further enhance efficiency, reduce costs and increase overall productivity and revenue into the future.

About the Author

John Beggiano, Product Manager, Fiserv Investment Services, is directly involved in the company's Wealth Management Network initiative. Beggiano has expertise in developing solutions for the financial services industry. For almost 30 years he has provided his unique perspective on the ever-expanding wealth management services business.

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620-16-32176-COL 09/16