

BNY Mellon | Pershing

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PRESENTATION

Adam Roosevelt

Broker-dealers are looking more and more like RIAs. In fact, it's been several years now where broker-dealers, the top 50 broker-dealers, are generating more revenue from fees than they had from traditional commissionable revenue. It's similar in the hybrid space where the independent RIA assets are greater than the broker-dealer assets, and really all of that acceleration of growth is rooted in the advisory model, and this is driving firms to really rethink how they're structuring their businesses. So, given that convergence of these businesses due to those trends, can you share a little bit about what some of our broker-dealers are doing, what action steps they're actually taking, to best position themselves for this future growth?

Ben Harrison

In the advisory space, we're seeing a few things. We're seeing a convergence of the broker-dealer and the RIA model. Scale is also critically important. Firms are seeking opportunities to outsource in areas where they can capture scale, so they can focus their efforts to drive growth.

Maura Creekmore

So, the convergence of these businesses is incredibly important as we look out three to five years, and even now, there's just so much activity among our broker-dealer client base. They're exploring several strategies to grow in the advisory space, so I'll highlight all of them. The first is really modernizing their corporate RIA. Broker-dealers can look to leverage their current infrastructure and core services within their corporate RIA, yet rethink the technology and service offering they provide to their advisors. It's really an opportunity to assess the marketplace, identify the technology integrations that will help their firm retain and attract new advisory talent. For example, a recent consulting engagement that we had with one of our largest broker-dealer clients led to their firm segmenting their top teams into this private client group, and identifying and implementing new technology to build a more robust an investor experience.

Adam Roosevelt

So, the model doesn't change in that example, but the evolution of that model, right? They keep the broker-dealer and the corporate RIA, but they're evolving technology, and they're evolving their platform and advisor segmentation. That's interesting. I know there's other models out there as well that you'll share.

Maura Creekmore

Yeah, that's exactly right. We've also seen our clients establish a National RIA, and this is by completely exiting their broker-dealer eebusiness through a broker-dealer withdrawal, or what's commonly called a BDW, or they bolted on a new RIA entity to stand alongside their broker-dealer, and this strategy really enables the broker-dealer to shift certain regulatory responsibilities, gain efficiency and operational scale by working with Pershing as an RIA custodian.

Adam Roosevelt

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Yeah, and you see some of the top firms that are winning advisors today really offer that spectrum of affiliation models to advisors, so I think that is going to continue, that trend is going to continue here in the future, the National RIA strategy, and we see-- actually, we have about 50 clients today that leverage solutions on both our custody side and our clearing side.

Maura Creekmore

Yeah, and we expect at least two firms to launch a National RIA and seven more firms to file a BDW within the next six months.

So, now the third main strategy broker-dealers are exploring is an RIA platform provider approach, and here firms package together key services, including robust technology, around account opening, CRM, financial planning, portfolio management, and client service. They essentially become a hub for RIA firms to provide a leading advisor-investor experience to RIAs as a fee-for-service. And this is really a paradigm shift in the economic relationship with an advisor, yet it's the exact expectations RIAs want to have with that service provider.

Adam Roosevelt

There's an opportunity and there's a call to action here. You know, convergence is a reality, advisors are at the center of it, and it really should serve as a wake-up call for many financial service firms to reconsider the way they're interacting with those advisors today, and all firms have an opportunity to really think, rethink, their businesses for future success.