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Pershing Aims to Push RIA Platform Upmarket

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Pershing¹, a unit of the [Bank of New York Mellon](#)², is trying to position itself to grab its share of wirehouse financial advisors expected to exit for the independent channel. The division that provides platforms and services to independent registered investment advisors (RIAs) is aiming to distinguish itself from larger competitors by targeting its efforts specifically to advisors with more than \$100 million in assets and who serve upscale clients.

The unit already is in advanced discussions with 90 wirehouse advisor teams that run \$24 billion in client assets, says **Mark Tibergien**, managing director and CEO of Pershing Advisor Solutions. He says even if a third of them come over, it would be a welcome boost for the firm.

While those advisors are believed to have anywhere from 45% to 70% of their business in separately managed accounts, Pershing executives say their tailored approach won't require changes to the SMA platform operated by its [Lockwood Financial](#)³ affiliate.

Pershing is hoping the narrow focus on the high-end market will give it an edge in the current environment, when talk about advisors leaving wirehouses is rising, even if it is still unclear whether that buzz will result in a higher level of defections. It is competing against [Charles Schwab & Co.](#)⁴, the market leader with about \$575 billion in assets from 5,500 RIAs; [Fidelity Investments](#)⁵, which has 3,500 RIAs and around \$360 billion in assets; and [TD Ameritrade](#)⁶, which after its integration with an RIA platform it acquired from [Fiserv](#)⁷ now administers \$100 billion in assets for about 4,500 RIAs. By comparison, Pershing has \$70 billion in assets from 488 RIAs.

"We can't out-Schwab Schwab in serving the masses," Tibergien says. "We're focusing on larger teams wanting to grow their business serving larger clients. We look through the advisor to the end client, so the measure of success is not the size of the advisor firm."

Tibergien says the emphasis on wealthier clients is natural because Pershing RIAs have clients with an average account size of \$1.3 million. And because most of the advisors have three to five accounts per client, it works out to relationships covering an average of \$4 million to \$6 million in assets per household.

Tibergien came over last year from [Moss Adams](#)⁸, a Seattle-based research firm where he consulted on the RIA market. While Pershing's platform has been tilting toward higher-dollar advisors for years, Tibergien has set out to intensify the RIA platform's focus on catering and marketing specifically to those advisors.

"We don't look at pushing volume," he adds. "Those are good firms that we're competing against. The activities of [Schwab and Fidelity] helped pave the road to this [RIA servicing market]. But we have to stay focused on our mission and niche. We don't have ambition to be as large, but instead to have a big market share with our optimal type of advisor."

Targeting the higher end of the wealth management market could be effective, even if all of the custodians have the resources to serve those advisors, says **Chris Winn**, principal and cofounder of [MainStay Consulting Group](#)⁹, a research firm with offices in Boston.

"It sounds like the folks at Pershing are not trying to be all things to all advisors, and instead making a strategic decision to prepare themselves to capture a share of the cream-of-the-crop breakaways," Winn says. "Each of the firms is trying to

approach it in a different way, but the ones everyone wants to land are those high producers.”

Tibergien says Pershing aims to offer services that are “relevant” to higher-end advisors. He says it reaches back to its parent company for some resources, such as alternative products, more than 150 cash management strategies, and an array of global investment capabilities. For instance, Pershing executes trades in 65 foreign markets and provides services to financial professionals in 40 countries, while BNY Mellon acts as a depository for more than 1,300 foreign stocks traded on U.S. exchanges. Pershing also launched a “Trust Network” open architecture platform of trust administration providers in May, and is planning to launch a resource center for alternative investments next year.

“We’re trying to deliver [BNY Mellon]’s entire capabilities,” Tibergien adds.

Winn says trust planning and expanded product lineups are attractive to breakaway advisors seeking sophisticated services for their clients, but similar options are also available at the competitors. Schwab, for instance, has platforms for alternative and trust providers.

And Schwab, Fidelity, and Pershing all have large SMA platforms and links to turnkey asset management platforms with SMA products, aiming to help breakaway advisors smoothly transfer their client portfolios. Pershing’s Lockwood had \$20.5 billion in SMA assets in second-quarter 2008 data from the [Money Management Institute](#)¹⁰, while Schwab reported \$36.1 billion and Fidelity \$12.6 billion.

Pershing’s push for high-end advisors may not affect Schwab, because 280 of the 330 retail RIA firms with more than \$1 billion in assets already use its platform, says **Barnaby Grist**, managing director for business consulting at Schwab Institutional. He also says while the Pershing RIA platform is a small piece of BNY Mellon’s overall \$23 trillion in assets in custody, the Schwab RIA business is nearly 40% of the company’s total of \$1.4 trillion in assets under custody.

“Pershing is kind of like the flea on an elephant [within BNY Mellon],” he adds. “But this business is what our company’s senior management thinks about all of the time.”

The market of higher-dollar advisors could grow for everyone if the spike in interest in recent weeks from wirehouse advisors results in actual breakaways. “We’re probably fielding calls from 10 to 15 teams a week,” Tibergien says. “They’re tire-kicking at this point.”

Schwab and Fidelity both also report traction with breakaway advisors. Schwab puts its assets from such advisors at \$9.4 billion in the first six months of 2008 and Fidelity reports that 55 advisors with \$7 billion in assets joined in that timeframe. Both firms are ahead of last year’s pace, and report similar spikes in contacts in recent weeks.

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