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## Custody Providers Up the Ante on Technology

Companies that provide custody and brokerage services to registered investment advisers have embarked on a round of technology-platform renovation—with a strict view to forging stickier ties to independent advisers and the assets they control.

Fidelity Investment's RIA-support unit recently added its 600th RIA—about 20% of its institutional client base—to its WealthCentral technology platform, which “hard launched” late last year after a protracted beta phase.

In June, Charles Schwab Corp.'s (SCHW) Advisor Services division established a website to cull client feedback on improvements to its RIA-technology platform, a project it calls “Intelligent Integration.” TD Ameritrade (AMTD) says it's in the thick of a similar process. Pershing LLC rolled out its NetX360 technology platform last year.

In other words, Fidelity and Pershing have new and, they say, highly integrated platforms; Schwab and TD Ameritrade say they're working on it. Schwab is by far the largest custody provider, followed by Fidelity. TD Ameritrade and Pershing are in a close race for the third spot in terms of end-client assets.

“They're all working toward the same goal,” says Christopher Winn of RIA consultancy AdvisorAssist. “They're always trying to attract new advisers and keep existing ones, and technology is one way to do that.”

Most RIAs do business with two custodians, Winn adds, and custodians are keenly aware that RIAs can start shifting more assets to one if they're not getting what they need from the other.

Independent RIAs account for just 15% of U.S. wealth-management assets, but they've been growing faster than any other industry segment since the late 1990s. And they're poised for more growth, according to research-firm reports—mainly at the expense of bank-owned brokerages like Merrill Lynch and Morgan Stanley, whose brands and business models are thought to have suffered in the downturn.

Most RIAs are looking for technology to help with essentials like customer-relationship management, financial-planning, account opening, trading and portfolio management, says Winn.

At the cutting edge, these functions—typically reliant on blends of proprietary and third-party technologies—are integrated for ease of navigation and to ensure that once you've typed something into one module you don't have to repeat this error-prone process across the board.

Integration is vital to Fidelity's RIA-business strategy. “It makes it easier to put assets with us,” says Michael Durbin, head of Fidelity's RIA-support business. “It's like a big funnel we put out there.”

Durbin says most startup RIAs opt for the end-to-end version of WealthCentral, while established firms prefer to pick and



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choose a la carte elements.

This makes sense to Winn. "If you're up and running, you have legacy systems in place and you're too busy to think about a wholesale platform migration," he says. "The point of Fidelity WealthCentral or [Pershing's] NetX360 isn't to mandate technology, but to see that various technology options are supported."

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