

## Integrations still on the tech road map

By Davis D. Janowski

**A**LTHOUGH NOT OFTEN thought of as cutting-edge by most financial advisers, the four major custodians may become popular partners with some major banks and their private-wealth operations.

That is thanks to the development that each has been engaged in over the past four to six years of integrated, dedicated adviser-facing platforms.

Important facets on clearing and custodial firms' technology road map, according to insiders and experts, include the drive toward deeper integrations and integrations that are bidirectional, as well as a push toward the consolidation of operations within the independent-broker-dealer industry.

"What we have seen of late that we have not seen in past years is that the desktop workstation is the No. 1 area of spending," said Darrin Courtney, research director at CEB TowerGroup.

Many big banks have decided that it isn't worth reinventing the

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Darrin Courtney  
Research director  
CEB TowerGroup

wheel in order to catch up and are looking to their clearing firms or custodians to collaborate, he said.

But looming large on all parties' minds is solving the many problems of integration, though reliance on ever-improving application-programming interfaces is helping this situation greatly.

In addition to the zeal for platform partnerships is an increasing desire to be the provider of choice for both independent registered investment advisers and independent broker-dealers.

"Most of the big providers see that [for advisers], it is all about being able to run their business from the web. No IT or server rooms or air conditioning — go on a tablet or PC and be able to do everything," Mr. Courtney said.

### BEST OF BREED

And that requires that the clearing firms, custodians or independent broker-dealers bring together as many best-of-breed, third-party technology providers as possible.

The two providers with the most breadth in this category are TD Ameritrade Institutional and Pershing LLC, both of which have strong integration partnerships with many third-party providers.

TDAI, though, is taking the most open approach with its Open API Initiative, which was launched three years ago. To date, more than 50 partners have built integrations with the firm's Veo account management platform, and another dozen are in various stages of development.

Pershing quietly has been amassing a similar number of integrations, many with more institutional-level players and those more aligned with the broker-dealer business.

But all the integrations aren't equal.

"We rolled out householding in 2003," said Darren Tedesco, managing principal of innovation and strategy at independent broker-dealer Commonwealth Financial Network, referring to the ability to view all of a household's accounts on one platform.

He noted that one of the four big custodians rolled out that type of account management on its platform just in the past year.

"Those are the type of things where [custodians] are all still playing catch-up," Mr. Tedesco said.

Custodians remain in the first phase of integration, rolling out linkups with third-party providers one at a time. What's more, the flow of data in most of those integrations is one-way, meaning from the custodian to the partner, Mr. Tedesco said.

"These are largely information-based integrations. They do not combine both information and operations for the most part," Mr. Tedesco said.

He describes that level of integration as Phase Two and gave as an example the collaboration between Quadron Data Solutions and the customer relationship management system of Redtail Technology.

"Firms are starting to realize that the legacy stuff just isn't keeping up anymore. They really have to look at how they bring all that information together in one place and truly service the needs of the adviser, as well as the C-suite and compliance," said David Fetter, chief executive of Fetter Logic Inc. and affiliate Quadron Data Solutions.

"We are seeing the need to have the CRM data integrated in with all the transaction data," he said, adding that Quadron's AccountQ broker-dealer back-office-account system can bidirectionally share data with Redtail's CRM and docu-

ment management products.

Various data elements necessary to open up a new account can be moved from one to another to cut down on redundant data entry, but the account system can also feed revenue and customer data back into the CRM and then share it with the broker-dealer's compliance system.

But it is Phase Three that is the true Holy Grail for many firms.

Mr. Tedesco described a simple example in which a client is discovered holding too large a position in a particular stock, and the adviser places a stop order.

In a new, more deeply integrated world, an adviser's platform not only would have generated a report automatically but then connected to the trading engine from within the portfolio management app or even the CRM app (or both).

Either system would immediately propagate the trade ticket, update the client's capital gains, adjust for systematic withdrawals, etc.

"In other words, be on one system and expect to be able to initiate an action on another system or on the database mainframe without moving from application to application, as many advisers must today," Mr. Tedesco said.

#### LEAN TIMES

Whether firms are doing well or not, these are lean times for budget allocations.

Even at firms such as Commonwealth Financial, where the technology budget is able to keep pace and even expand to support new initiatives, there is always the pressure to consolidate systems and make operations ever more efficient.

This is the case especially among midsize and smaller broker-dealers.

"The concept that 'we need to host it ourselves' is a thing of the past," said Tom Bryan, chief executive of Nymbol Technology LLC.

The company produces an all-in-one, fully integrated online platform for the management of trading, clearing, back-office operations and customer support for broker-dealers, called Nymbol Broker/Dealer. It is designed to support straight-through processing of fixed-income investment transactions, Mr. Bryan said.

"What we are seeing is that the people running the back office and IT departments are being told, 'Our fees are coming down, and if we are going to grow our business, we have to reduce costs,'" he said.



**Tom Bryan:** B-Ds no longer feel the need to host technology themselves.