

MoneyVoices: A Future with Fewer Distinctions

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Working with a team that supports the middle and back office of several asset managers in a variety of distribution channels puts me in a unique position to observe industry trends. Currently, there are two that seem to be gaining momentum. One, traditional distribution categories of institutional, private wealth and wrap are breaking down. Two, in a related trend, the distinction between money manager and sponsor is apparently dissolving.

The first trend is a function of changing vision among the C-Level executives at asset management firms. Admittedly, there are differences between a large institutional account and a wrap account. But a change in perspective by the right person can lead to a focus on the similarities as opposed to the differences. For example, both institutional and wrap accounts are discretionary, model driven, and share the same research product.

Also, the technological and business environment is changing to facilitate the blurring of these categories. There are technologies that can support both the institutional business and the wrap business simultaneously in one common database. The other change is that the sponsoring firms, working with DTCC and other technology providers, are moving toward making the processing of the wrap business look more institutional.

The other major trend is even more interesting. The lines between the money manager and the sponsor are blurring. Historically, with a couple of exceptions, the sponsors have avoided the role of fiduciary at the money manager level — even to the point of denying it in their ADV. Correspondingly, the money manager has tended to view its relationship with the sponsor as that of a spoke in a wheel that is driven by the sponsor's asset allocation advice. This traditional approach is changing very dramatically. The sponsors are taking and will continue to take a more active role in the management of the individual spokes.

However, a lesser known phenomenon is in the private wealth channel. The money manager is becoming more like a sponsor. These money managers are providing asset allocation advice, proposals, and manager/product selection. They are taking a more active role in the total relationship. Rather than focusing on how they can partner with a sponsoring platform, they are becoming the sponsor. Again, this change is driven by both a change in vision and by the emergence of supporting technologies.

Looking ahead, we will continue to see an evolving mix of product and distribution. The historical approach of the sponsor providing distribution for the asset manager is a viable approach and no doubt will continue to co-exist with the evolving combinations of product, service and distribution. However, newer technology, coupled with an expanding vision, will drive more creative solutions for the value proposition in the industry.



Bevin Crodian is CEO of Market Street Advisors, a full service and application services provider (ASP) for the middle and back-office administration of the separately managed account industry.



Crodian has more than 25 years of financial services industry experience. Previously, he served as the director of fiduciary services and the director of administration for Smith Barney's Consulting Group.

Before that, the industry veteran worked at the Boston Company, a subsidiary of Shearson (now Smith Barney). There, he was responsible for marketing wrap-fee services to the Smith Barney advisory network. Crodian started his career at Hutton (now Smith Barney), where he was a producing sales manager in one of the industry's largest branches. He is a recipient of a doctorate degree in language theory from Purdue University..

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