

YourQ&A: Will SMA Data Hub Change Processing?

YourQ&A published on Apr 28, 2008

There are **2 comments**. Most recent comment on 5/6/2008 at 5:18pm EDT

Question

Will a universal processing hub meaningfully change the economics of processing retail managed accounts?

CEO, Financial Services Firm, West Coast

Answer



Jon Anderson is is a member of the executive committee of Market Street Advisors, a full service and application services provider (ASP) for the middle and back-office administration of the separately managed account (SMA) industry.

Without a doubt, some version of a universal processing hub will come into existence over time. The question is not if, but when. Also, there is no doubt that such a development would lower processing costs. (Click [here](#) for a history of the proposed managed account communications hub, as reported by *FUNDfire*.)

The realistic conversation regarding this topic is more about the cost/benefit ratio of being an early adopter of the current proposed functionality. This situation requires industry leadership, if not subsidy. To a certain extent, the leadership is emerging to move beyond the early-adopter cost issues. However, it needs to be stronger, broader based and more proactive.

That leadership must overcome the the fear, uncertainty and doubt about the universal processing hub that pervades the well-entrenched vested interests. Further, it must overcome the cynical view held by far too many industry players that the larger firms will never agree to participate.

YourQ&A is your opportunity to get your pressing questions answered by industry leaders.

Discussion "Will SMA Data Hub Change Processing? "

4/29/2008, 11:50am by Executive, Top 10 Sponsor, East Coast

The key factor behind adoption is whether asset management firms are willing to pay the per message fees that the Depository Trust Clearing Corp.is proposing. Sponsor firms are willing to build to the standards, but there is little motivation if managers (or their platform providers) are unwilling to adopt them.

5/6/2008, 5:18pm by Executive, Investment Management Firm, East Coast

The hub is a dinosaur and the business problem it intended to address is being mitigated by the market already without the cost/complexity of the hub. The idea of the hub/standards/DTCC network is to facilitate communication of lots of small transactions between fully discretionary separate account managers and sponsors. As the entire industry shifts to model-based relationships and the overlay management business model, the volume of transactions goes down by 90%. Individual managers don't need to open, accept, trade, close and process cashflows. They also don't need to do anything else that requires or would be made more efficient by communications through a hub. In the new model-based/overlay business model, the entire problem that this hub/network was meant to address goes away.

FundFire

FundFire is a copyrighted publication. FundFire has agreed to make available its content for the sole use of the employees of the subscriber company. Accordingly, it is a violation of the copyright law for anyone to duplicate the content of FundFire for the use of any person, other than the employees of the subscriber company.