

[Print](#) | [Close Window](#)

YourQ&A: Will Crisis Impede SMA Communications Hub?

YourQ&A published on Dec 2, 2008

Discuss this YourQ&A

Question

Will the problems at the wirehouses slow the momentum for adoption of the separately managed account industry's centralized communications hub?

Senior Executive, Tech-Ops, Managed Accounts Industry

Answer



Bevin Crodian is CEO of [Market Street Advisors](#)¹.

There are already meaningful parts of this project in place, ongoing and funded. As far as new initiatives, many key players are going to be focusing on their bonuses for 2008 and their career status for 2009. Consequently, progress in the very short run may be hampered. However, after the current situation stabilizes, money managers along with product providers and sponsors are going to be looking for ways to cut processing costs. All firms that serve this end will prosper. Clearly, a fully-distributed communications hub will lower operating costs, encourage product development, increase accuracy and thus improve the investor's experience. (Click [here](#) for the history of the separately managed account industry's communications hub.)

Regardless of how protracted, there is a certain inevitability to this project. But, here is a practical sign post. Once the market establishes a believable low and begins the bottoming out process, the remaining industry executives will look to cut costs. There is no doubt that this project has been hampered for years by either inertia or a lack of vision by some key players. But if we aren't in the midst of a vision-changing moment, it's hard to imagine what one would look like. Similarly, inertia can be deadly at this kind of juncture. A change in vision will destroy inertia and lead to a change in focus on the right solution with the right players in the right place.

Answer



Scott A. MacKillop is president and chief compliance officer of Frontier Asset Management, LLC.

The primary reasons for developing the centralized communications hub have not changed. In addition, many organizations now have a vested interest in the success of the project. However, in the short term, the resources necessary to make it happen have been impacted. While wirehouse problems represent one aspect of the problem, poor markets and the slowing economy are the main drivers.

Many firms that support this effort generate significant revenues on an "assets under management" basis. Most have experienced serious declines in revenues, which will affect how much they can devote to industry-wide projects like the hub. Moreover, there is a general sense of caution in the industry. Firms are carefully guarding the resources they do have, making them even more reluctant to commit resources to projects like the hub. Ultimately, the hub will become a reality, but its momentum will be slowed.

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

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.

An Information Service of **Money-Media**, a Financial Times Company

Links

1. <http://www.marketstreetadvisors.com/>