

MELLON SHOULDERS OPS FOR MANAGED ACCT ENTRANT

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The managed account outsourcing unit of [Mellon Financial](#) has bounced back with a new deal after a spell in which it lost an outsourcing client and saw one of its top sales execs jump ship for a competitor. [Clover Capital Management](#) has given Mellon's Investment Manager Solutions unit the nod to administer the middle- and back-office for its fledgling retail separately managed account (SMA) business.

[TCW Investment Management](#) pulled its retail SMA assets from Mellon earlier this year. Earlier this month, Marc Filipkowski, formerly v.p. for managed account sales at Mellon, went over to [Citigroup's](#) outsourcing unit. Both moves were previously reported in *FUNDfire*.

"After the loss of TCW's business, this [new deal] shows we are very committed and continue to grow," says Steven Papulak, business development manager for Mellon's Investment Manager Solutions group. He adds that Mellon outbid a number of other firms competing for the same business.

Though Clover is new to the retail SMA business, industry observers say the deal is a sign of the continued growth in the industry.

"Clover's entrance shows that investment managers continue to see an attractive opportunity for growth in the retail managed account space," says Dan Seivert, managing director of Los Angeles-based investment bank and consulting firm [3C Financial Partners](#). "The outsourcing vendors have been an enormous asset for firms looking to enter this complex business."

Stephen Carl, COO for Rochester, N.Y.-based Clover Capital Management, says that his firm has seen the demand for retail SMAs for some time; however, it was seeking out the most effective strategies to enter the space. "We wouldn't have done it if we couldn't outsource the back-office functions for these accounts," he says.

Mellon's competitors in the SMA outsourcing space are [Bank of New York](#), [BISYS](#), Citigroup, [JPMorgan Chase](#), [PFPC](#), [SEI Investments](#) and [State Street Corp.](#) (See below for an updated list of outsourcing deals to date.)

Mellon now has three outsourcing deals with asset managers. Its first client, [Provident Investment Counsel](#), was acquired by [Old Mutual](#), which also became a client last year. However, it would currently have four clients, which would be more than any other provider, had TCW not moved its assets to SEI.

There has been much speculation in the market over TCW's reasons for switching providers. Alvin Albe, president and CEO of TCW Investment Management, declines to be interviewed. But in a statement he says that the decision was based "solely on our managed accounts strategy and associated unique needs. The decision was not based on customer service at Mellon which remains excellent across all aspects of the relationship."

Due to TCW's "unique business requirements," Albe continues, "both parties, after extensive evaluation, mutually

agreed to discontinue our managed accounts partnership."

Mellon continues to service over 90% of TCW's \$110 billion dollars in assets under management. Mellon's Papulak declines to speak specifically about the TCW decision but says that Mellon has a "strong relationship" with the asset manager.

TCW's decision nevertheless was not a deterrent to Clover. Carl says that his firm interviewed several outsourcing candidates but decided on Mellon for its experience, stability and corporate culture.

Though Carl says some of the other candidates were also strong — he specifically mentions SEI for its "excellent technology" — Mellon's experience, among other things, gave Clover the confidence to go with its solution. "They've done every aspect of support for these accounts a thousand times before," he says.

3C's Seivert says that while outsourcing vendors are competing both for new entrants and established players alike, "Mellon has been particularly competitive with new entrants for its consultative sales process, pricing and experience in the business."

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