

PERSHING CEO LISA DOLLY FLAUNTS SIZE AND SOFTWARE AT INSITE 2018

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It was the Lisa Dolly show in Orlando, Fla. as Pershing projected an image of power -- as always -- and finesse, a more fashionably late-arriving quality at the clearing custodian.

The CEO of Pershing LLC -- the only high-level woman executive in the Big Four custody-clearing pantheon -- presided over an event where the Jersey City, N.J.-based firm took equal, unspoken shots at super-rivals like Fidelity Clearing & Custody Solutions and up-and-comers like Omaha, Neb.-based TD Ameritrade. Why Pershing's CEO pick looks uninspired, and why that look may be deceiving.

Safely past her rookie seasons, Dolly played on the four pillars of stay-awake-at-night RIA fears -- starting with what happens when you are too small to battle giants. She brought her energy to a packed crowd of over 2,300 advisors from RIA firms, independent broker dealer-executives, third-party consultants and hundreds of vendors.

"Bigger is better," Dolly said of Pershing's parent, BNY Mellon, which has custody of more than \$33 trillion of assets -- and \$1.9 trillion of AUM for good measure. Part of the Dolly finesse is to reclassify a bunch of corporate RIA assets as broker-dealers always put on the clearing side of the business.

Now, Pershing counts \$600 billion of RIA assets.

It is, at face value, the seeds of a massive RIA asset growth story. When Mark Tibergien, Pershing Advisor Solutions CEO, took over in 2010, those assets, counted more conservatively to include only classic RIA assets, stood at \$53 billion.

Other RIA fears include: becoming software-obsolescent, running short on talent to compete and complete succession and the fear of not being able to manage the firm as rivals hire professional managers.

'Coach and counsel'

Mark Tibergien with Pershing colleagues Karen Novak, Gabe Garcia and Evan LaHuta.

Dolly said BNY Mellon is investing an additional \$50 million over the next several years to bolster its staffing and improve the client experience through technology innovation, as well as investing in marketing programs to further increase advisors' ability to grow.

"Advisors are starting to have a conscious strategy around the future of their business, viewing people as an investment, not a cost," Tibergien said, commenting on Pershing's strategic investments.

"There is now a growth in professional management, a focus on businesses rather than practices, and our goal is to coach and counsel these firms to hire professional management, gaining experts in running the business which can be transformational."

Dolly added: "The talent shortage in the industry will become even more acute and costs will continue to rise."

sConversation imminent

In a world of mounting profit-margin pressures, it is the rival custodians that are cruising for a bruising, according to Tiberghien, who joined Gabe Garcia, a director at Pershing, and colleagues Evan LaHuta, head of client experience and managing director at PAS; Karen Novak, chief operating officer; and Ben Harrison, managing director and head of new business development for a sit-down that I joined prior to the kick-off of Pershing's 20th annual INSITE conference.

"At what point do you become valuable or not to a custodian based on size?" Tiberghien asked. "This conversation is imminent and will go hand-in-hand with the overall consolidation in the industry as advisors retire."

The internal tussle for RIA custodians about whether to absorb the losses of small RIA -- ones with \$25 million to \$50 million in particular -- or levy a charge to offset expenses is nothing new. Some rivals like Fidelity charge \$10,000 to small RIAs. Pershing's answer has been to accept only larger RIAs -- typically ones with \$150 million or more in managed assets.

Yet for all the talk about size, Pershing is nonetheless using more of a little guy, underdog approach to technology -- coming late, but with great zeal, to the open architecture, AI and digital technology -- even biology -- game.

"We are just at the tip of the iceberg with technology," Dolly said, citing AI technologies that will combine the digital, physical and biometric worlds to drive advisor productivity, predict client needs and simplify identification.

Password is...

Ram Nagappan, chief investment officer of BNY Mellon-Pershing, and his tech team demonstrated slick facial recognition and biometric mobile apps that can eliminate the need for passwords and swiftly verify a client's identity for money movement approvals.

"The majority of service calls we take are related to passwords," he said, making this a highly sought-after feature to get into production.

Jim Crowley, Pershing's chief operating officer, then detailed the many new investments and enhancements Pershing is making in its custody and clearing platforms, including new apps for third-party technology integration in the Pershing API Store, along with the introduction of new "components" that are a combination of an API along with pre-configured interface templates pre-loaded with business rules and logic to streamline integrations and gain speed to market.

This "componentization" will allow for drag-and-drop capabilities so that firms can customize their advisor and client experiences in their own advisor and client portals, integrated with Pershing's data and client service tools.



Dan Seivert of **ECHELON**, Greg Friedman of Private Ocean, Brian McLaughlin of Redtail and Kevin Hughes of MoneyGuidePro raised a glass at INSITE in rainy Orlando last week.

Other platform enhancements Crowley mentioned were a tighter integration with Envestnet Inc, simpler onboarding through Salesforce Inc. and a custom integration of MoneyGuidePro to better facilitate planning experiences for both advisors and their clients.

Future shock

Open API aside, Naggapan boasted about Pershing's big data vault for the machine-learning component of portfolio management.

"We have created a 'deep' portfolio construction and rebalancing system to simulate the mind of a portfolio manager by feeding it over 60 million portfolios and characteristics such as client risk tolerance, mean variance analysis, Sharpe ratios and more so it can learn and optimize portfolios via a neural network."

What went unmentioned in talks of software aspiration was Pershing's robo integrations that included Marstone, SigFig, Vanare and Jemstep.

Nagappan and his team are also experimenting with virtual reality technologies to simulate a 3D experience for clients to virtually explore meeting their financial planning goals.

Comey calms, Leno kills

INSITE is widely known on the conference circuit for its high-profile keynote speakers, and this year's iteration did not disappoint.

Opening day featured a fireside chat with former FBI director James Comey. He regaled the crowd with his experiences prosecuting Martha Stewart for insider trading, dealing with Mafia crime bosses, managing the political calculus of the Hillary Clinton email scandal, as well as dealing with President Trump, who he said is basically a "forest fire" that will ultimately do short-term damage to the country. But the result of the fire will be stimulate future growth to heal the wounds Trump has caused, Comey reassured attendees.

Also on the docket were well-received keynotes from former Zappos executive Jennifer Lim, Square co-founder Jim McKelvey speaking about happiness, along with noted futurist Michio Kaku and conference-closer Jay Leno, whose 20-minute stand-up routine killed it on the general stage and was a first on the conference circuit for a comedy routine.

Rain-drenched pub crawl

The balance of the agenda was chock-full of technology, business, practice and marketing management sessions, along with frequent breaks in the exhibit hall. Despite the blandness of Orlando, vendors and exhibitors carved out various restaurants, bars and patios to entertain clients, network and touch base on the vast content contained in INSITE.

The final-night event was a block party at Pointe Orlando that featured a half-dozen restaurants, bars and nightclubs open to the INSITE attendees.

Despite the torrential rains, everyone had a great time watching the Washington Capitals wrap up the Stanley Cup and the Golden State Warriors win game 3, poised to win in a sweep over the hapless Cleveland Cavaliers.

To learn more about what went on at Pershing's 20th annual INSITE conference, check out the many tweets on the #realinsite hashtag on Twitter.
