

## IN THE WAKE OF THE DOL FIDUCIARY RULE, WILL ADVISER M&A SURGE?

10/20/16 Originally Published By Bruce Kelly, InvestmentNews

In the wake of the Department of Labor's fiduciary rule, is it deal or no deal for advisers looking to sell their firms?

Two leading financial advice industry executives gave pointedly different answers to that question Wednesday morning at an industry conference in New York.

Mark Tibergien, CEO of Pershing Advisor Solutions, said deal making will increase, particularly for registered investment adviser firms with \$50 million to \$500 million in assets under management that may have trouble coping with the new regulation.

**Dan Seivert**, CEO of **Echelon Partners**, said the DOL's fiduciary rule would have a chilling effect on deal making throughout the industry, with RIAs ultimately benefitting as advisers from other business models, including independent broker-dealers, change and migrate.

The two were featured speakers at the keynote debate of the Deals & Deal Makers Summit, hosted by Echelon.

"There are some firms that are going to view themselves as wanting to own this market and they are going to be looking for opportunities where there are a lot of retirement accounts," therefore spurring mergers and acquisition activity, Mr. Tibergien said. "There are many other firms who are so intimidated by what the rule change means for their business that they may decide to exit the business or find a partner who is stronger in the business."

"I think the smaller firms, those with between \$50 million and \$500 million in assets under management, are not able to invest in new processes, and they are probably the most vulnerable," Mr. Tibergien said. "They are really at an awkward phase. And that's not just for RIAs. That's broker-dealers as well."

Mr. Seivert countered Mr. Tibergien's expectation that deals would increase, focusing instead on the unknowns that the new fiduciary rule brings to the marketplace.

"There is going to be an increase in the number of sellers, but the buyers will perceive that there's risk," Mr. Seivert said.

"Do RIAs pick up some IBD reps that are going through a metamorphosis in their business model?" he asked. "We think that on a net basis there will be a sort of level amount of deal making. We don't see an increase. There may be an attempt to get more deals done but the buyers are going to perceive more risk. So, it's going to be challenging."

"First of all, we don't know what all the fine details are associated with the rule and how the rule is going to come about, so we don't know what the financial impact is going to be," Mr. Seivert said. "What is the magnitude of the impact and how will it affect valuations on firms? When you're trying to buy a firm, it's preferable to know what the underlying financials are."