MERRILL VETS READY TO RECHARGE BREAKAWAY RECRUITING EFFORTS

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Snowden Lane Partners prides itself in not making a lot of noise around its practice of recruiting breakaway wirehouse teams to join its hybrid broker-dealer and independent investment adviser business.

But at more than $4 billion in assets under management, or about four times where it was less than four years ago, the wirehouse alternative is becoming increasingly difficult to overlook in the breakaway broker space.

"I applaud their success, and wish them even more success," said Elliot Weissbluth, chief executive of HighTower Advisors, a breakaway broker and adviser platform with assets exceeding $50 billion.

"They could be potential customers on our platform or potential partners down the road," he added. "If the opportunity presents itself, maybe we're their next suitor."

Such an exit strategy is not yet in the cards, or at least not part of a public conversation, according to Robert Mooney, chief executive and managing partner at Snowden.

"Our goal is to build a high touch, enduring advisory boutique that we will lead for the foreseeable future, so we are not planning an exit for ourselves," he said. "We recognize that investors in our company may arrive and exit. However, we believe that as we build a profitable, scalable company, we will have favorable financing options."

Mr. Mooney, a former general counsel at Merrill Lynch, founded Snowden in 2011, and secured $40 million worth of private equity capital in 2014.

Along with Mr. Mooney, Snowden's chairman Lyle LaMothe and company president Greg Franks are Merrill Lynch alumni, who have leveraged their wirehouse connections to recruit a dozen breakaway teams.

The hybrid platform, which clears and custodies through Pershing, is designed to provide all the service of a wirehouse, "without the bank ownership and conflicts that come with proprietary products and competing business lines," Mr. Mooney said.

Breakaway brokers, and potentially registered investment advisers, are hired as W-2 employees and become equity owners in Snowden.

"For advisers, the appeal is that it's a turnkey successful organization, which means instead of starting from scratch you can join very easily," said **Carolyn Armitage**, managing director at **ECHELON Partners**, an investment bank.

For firms like Snowden, she added, the opportunities have ramped up since late last year when Morgan Stanley and UBS Financial Services exited the broker protocol agreement.

Seeing two of the four wirehouses suddenly exit the 14-year agreement that allows advisers to take limited client information with them when leaving a firm without facing legal action was seen by some as a driver of increased breakaway activity.

According to Ms. Armitage, the four wirehouses combined lost $100 billion in assets last year from breakaways.

Snowden, which goes against the grain of most firms by rarely announcing new breakaway hires, captured a piece of the breakaway activity last year, but hasn't brought on any new assets since hiring a single TIAA rep in late October when Morgan Stanley was leaving the protocol agreement.

While Mr. Mooney said he doesn't believe the protocol issue will have a "meaningful impact on our business model," he admits the firm was watching to see how the legal precedent would take shape.

"We decided to wait a bit to see how things play out," he said. "We've been watching rulings from arbitration panels, which look very favorable, so now we feel more comfortable to move forward."

In terms of what's next, Mr. Mooney is hoping to start expanding beyond breakaways to also focus on RIAs.

"You'll see us doing some hiring in the not too distant future," he said. "Our pipeline is as strong as it's ever been, and we are confident we'll be above $5 billion by year end."