

## SCOTTRADE ADVISERS TEST CUSTODIAL WATERS

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As TD Ameritrade Holding Corp. closes in on its September acquisition of Scottrade Financial Services, some competitor custodians have been quietly watching, waiting and rolling out the red carpet to Scottrade advisers who might choose to leave in the wake of the \$4 billion deal.

"I would imagine there are differences between the two models, and that will create some friction and some opportunities for other custodians," said Alois Pirker, research director at Aite Group.

TD Ameritrade Institutional — one of the big four custodians, along with Fidelity Clearing and Custody Solutions, Schwab Advisor Services and Pershing Advisor Solutions — shares a piece of an estimated \$2.5 trillion in custody assets among the biggest players.

TD does not make public its assets under custody, but reports 5,000 registered investment adviser clients.

Scottrade Advisor Services, by contrast, is among the second-tier players that have competed by often catering to smaller and state-registered advisers. It has \$10 billion in custody and 800 RIA clients.

"TD has grown tremendously, and I'm sure they have found some sweet spots, and if you don't fit into that bucket you look for alternatives," Mr. Pirker said. "But anybody now custodying at Scottrade will have to shift to the new platform, and if you have to migrate anyway, you might decide to look around."

Some other custodians say they have indeed received questions from Scottrade advisers about their services.

"The inquiries started back in October when the deal was first announced, but as it gets closer, the interest is picking up steam," said Dan Skiles, president of Shareholders Service Group, a custodian that works with about 1,500 RIA advisers.

Robb Baldwin, chief executive of TradePMR, a custodian with about 730 RIA clients, said his firm has gotten inquiries from a handful of Scottrade advisers each month.

"We are very cognizant of the fact there will be a number of advisers in transition," he said.

But **Daniel Seivert**, chief executive and managing partner at **ECHELON Partners**, said the benefit of the acquisition for RIAs currently working with TD and anyone coming over from Scottrade will be "more branch referrals."

"Definitely some upside for those RIAs," he said.

Mr. Pirker also noted TD's ability to "use technology smartly" as something that will likely appeal to Scottrade RIAs.

### 'LEVERAGING STRENGTHS'

In early July, during TD's quarterly earnings call with industry analysts, chief executive Tim Hockey said the Scottrade deal was moving forward toward a third-quarter completion.

According to company spokesman Joseph Giannone, "Integration and planning is ongoing, and there are many things we can't do or say until we've officially closed the transaction. What I can tell you is that we are focused on managing talent and leveraging strengths."

Regarding the "RIA side of the business, we expect it to be business as usual for advisers on our platform," Mr. Giannone said. "The Scottrade transaction is unlikely to impact our RIA platform, our accounts or our service levels, because the merger is largely focused on retail client accounts and branches. We fully expect Scottrade's [RIA] clients will be pleased to join TD Ameritrade."

Scottrade spokesperson Whitney Ellis was vague about life after the transaction for its advisers.

"At this point, TD Ameritrade and Scottrade are still two separate companies, and Scottrade Advisor Services continues to support 800 advisers that use us as a custodian," she said, adding that the deal is "still on a path for a close by September."

And other custodians will have their own metrics to meet for any Scottrade advisers who wish to join them instead of moving to TD.

"We handle those on a case by case basis to make sure they're a good fit for us," said Mr. Baldwin of TradePMR. "We want to make sure they fit our culture, they have a good track record, clean regulatory history and want to grow their business."

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