



The Continued Evolution of Technology and Process in a Subaccounting World

By: Elisa Colkitt

Broker-dealers seeking greater efficiencies have fueled the trend to Subaccounting over the last 10 years, but it is its growth in the past four years that has cemented the process as an industry standard.

During the past four years an explosion of broker-dealers have transitioned into a Subaccounting environment. BNY Mellon's Subaccounting group alone has on-boarded over 85 million accounts in this timeframe. It is evident that Subaccounting has become the preferred method of clearing mutual fund accounts. This transition has created a chain reaction on the mutual fund transfer agency side of the business. As more broker-dealers convert onto Subaccounting platforms, the funds are losing their individual accounts to one single account on their platform. This has produced a need for enhancements to systems, industry processes and changes in how the industry sees and uses data. With change, come growth, creativity and the development of new processes.

Evolving Technology to Meet Demands

As more broker-dealers convert to Subaccounting platforms, it is more important than ever for service providers to be nimble enough to continually enhance and streamline processes to accommodate conversion demands, all while exceeding their clients' goals of improved efficiencies. As Subaccounting provider for more than 150 million accounts, BNY Mellon is in the ideal position help funds, firms and providers evolve their technology to streamline the transformation from a level 3 networking environment to a Subaccounting environment.

Through continued participation on industry taskforces, service providers are able to enhance the knowledge and systems around the Subaccounting environment. To succeed in this new environment, it is essential to work alongside firms and funds through initiatives such as the DTCC's OmniServ process, developed by the ICI Broker-Dealer Advisory Committee. It is only through such collaboration that providers can better service their clients through the advances to technologies and to more automated processes. For example, taking the lead to enhance the reconciliation process for firms and providers, BNY Mellon has been successful in being the first to bring to market enhancements through DTCC. This has created considerable processing efficiencies for our clients.

Through the DTCC's OmniServ initiative, the industry continues its work to aid the funds by simplifying the transmission processing between the fund and the firm. The DTCC's recent adoption of the industry's most commonly used layouts will facilitate ease to the market as it begins the process of pushing all transparency data through a single DTCC process. Funds and firms now have one place through which all transmissions for transparency data can flow. This initiative can help reduce costs and resources for the multiple T1 transmission lines that were previously established by all funds and all broker-dealers. Out of this enhancement many new technologies have emerged around data mining and data management that will help lead us into the future.

Looking Towards the Future

As the industry looks towards the future, and to funds and firms for continued direction, many service providers will have to review their technology enhancement strategies. The future will require more flexible and robust systems. Platforms will need continued modernization to be capable of handling large capacities and to be scalable enough to allow firms to significantly grow their business over time. This can be achieved by leveraging high-performing commodity-based hardware, software and operating systems that are expandable and can handle heavier batch loads, thereby reducing overall processing time.

Additionally, service providers will need to implement modern, web-based user interfaces and reporting tools that provide more options on how data is received and viewed. In the near future, the “one size fits all” model will fade. Leveraging these new data mining and data management tools, service providers will be able to offer clients the ability to customize views and data to their specific needs. This level of customization will help funds and firms to streamline their operations and better focus on the information and tasks needed to help them grow their business.

More scalable platforms also will allow service providers to expand their product offerings, similar to the expansion of Subaccounting to 529 Plan accounts, introduced in 2011. Providing broker-dealers the ability to subaccount multiple investment types has helped them simplify operations. Investments that were previously challenging for an advisor to trade are now relatively simple. This means greater distribution for the funds and greater cohesive data at the client level for both the client and the advisor.

The Future is Now

Understanding the needs of broker-dealers and the funds alike is the key to the future. Both sides of the business require data to better understand, develop and sell product. The extensive amounts of data that the Subaccounting environment captures can lead to great enhancements and system development overall. It is only through the ongoing evolution of technology and the creation of more efficient systems and processes that the long-term goals of both broker-dealers and funds can be supported.



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