

Press Release



THE BANK OF NEW YORK MELLON

Contact: Barbara Gallo
201-413-2930
bgallo@pershing.com

The Bank of New York Mellon's Pershing Advisor Solutions Unit Releases New Operational Efficiency Study for Independent Registered Investment Advisors

Advisory Firms Must Harness Human Capital Management to Enhance Operational Efficiency and Achieve Long-Term Success

JERSEY CITY, N.J., April 21, 2009 – A new independent study published by Pershing Advisor Solutions LLC, a subsidiary of The Bank of New York Mellon Corporation, and Moss Adams LLP has found that independent registered investment advisory (RIA) firms must place a greater emphasis on harnessing their human capital to effectively support and enhance the operational efficiency of their practices.

The study, entitled *Mission Possible II: The Link Between Operational Efficiency and Human Capital*, provides RIAs with an in-depth analysis of the operational risks facing the advisory industry and the critical role human capital plays in helping to manage these risks. The report also builds on the findings highlighted in Pershing Advisor Solutions' previous operational efficiency study with Moss Adams published in 2005.

Pershing and Moss Adams' study in 2005 warned of the growing demand for skilled advisors and rising compensation costs associated with this demand. The report also emphasized that technology on its own is not the answer to address a scarcity of advisor talent or for appropriately meeting a firm's operational needs. The new study outlines a wide range of operational risks confronting advisory firms today which, if ignored, will create a slow erosion of operational efficiency that will adversely impact profitability and ultimately the quality of client service. Key findings from the study include:

- *The Cost of Inefficient Operations* - Operational risks, which are threatening to gradually erode firm efficiency and employee-related costs, along with information technology spending are putting upward pressure on overhead costs. From 2006 to 2007, for example, overhead expenses as a share of revenue rose from 36.9% to 39.3% for the average firm. Together these two expense categories are approaching nearly 60% of all advisory firm costs. Firms must now recognize that operational efficiency requires effective management and deployment of the firm's human capital;
- *Dedicated Operations Management Prompts Growth* - RIA firms with one or more dedicated managers achieved higher growth rates over the last two years than those without full-time management. The study also shows that properly trained and engaged operations staff will best leverage the firm's professionals and technology investments, as well as assure consistent, high-quality service and operational efficiency. Assuming the right mix of people, the firm's operations staff must also have a framework for organizing workflow processes that reflect the new reality of the firm today. Advisory firm owners must take a proactive stance toward defining, refining and implementing efficient processes; and
- *Performance Culture Will Distinguish Best Firms* - One critical step for linking human capital with operational efficiency is to cement a performance-driven culture. This culture should be defined by an environment where the goal of constant improvement is infused into the fabric of every work day. Firms must diligently monitor and measure performance in ways that go deeper than basic financial and operating metrics. This more detailed benchmarking information supports more informed management decisions regarding the effectiveness of processes and allocation of resources.

Mark Tibergien, chief executive officer of Pershing Advisor Solutions, said, "In this current economic climate, advisors need to take significant measures to protect profits while simultaneously developing their best people. The recommendations detailed in *Mission Possible II*, particularly around processes, culture and benchmarking, are all low-cost ways for RIA firms to enhance their operational efficiency and position themselves for long-term success."

Mission Possible II: The Link Between Operational Efficiency and Human Capital was commissioned by Pershing Advisor Solutions and executed independently by Moss Adams LLP. Comprehensive financial and operating data, gathered from the 743 firms that participated in the 2008 Moss Adams Financial Performance Study of Advisory Firms, provided the foundation for statistical comparisons. Data from the 2007 Moss Adams Compensation and Staffing Study of Advisory Firms was also used. To receive a copy of the study, please contact Pershing Advisor Solutions at (800) 445-4467 or via e-mail at pasinformation@pershing.com.

Pershing Advisor Solutions LLC (member FINRA/SIPC) is an affiliate of Pershing LLC and a leading provider of financial business solutions to independent, fee-based registered investment advisors and dually registered advisors working in conjunction with many of Pershing LLC's introducing broker-dealer customers. Pershing LLC (member FINRA/NYSE/SIPC), a subsidiary of The Bank of New York Mellon Corporation, is committed to delivering dependable operational support, robust trading services, flexible technology, an expansive array of investment solutions, practice management support and service excellence. Through an innovative custody platform, Pershing Advisor Solutions delivers superior expertise and scalable and customizable solutions to help its customers manage and grow their fee-based businesses. Additional information is available at www.pershingadvisorsolutions.com.

The Bank of New York Mellon Corporation is a global financial services company focused on helping clients manage and service their financial assets, operating in 34 countries and serving more than 100 markets. The company is a leading provider of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team. It has \$20.2 trillion in assets under custody and administration, \$928 billion in assets under management, services more than \$11 trillion in outstanding debt, and processes global payments averaging \$1.8 trillion per day. Additional information is available at www.bnymellon.com.
