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SEI Private Banking & Trust

2006 Q3 Executive Quick Poll
Open Architecture Investment Solutions

Summary of Results

Introduction

Presented in this document is a summary view of the results of our 2006 Q3 Executive Quick Poll. Within the coming months we will follow this up with a research article which will include an in-depth analysis and commentary on the findings. In the interim, we hope you find these results valuable and informative.

Objective of this Executive Quick Poll

Our primary objective was to test the hypothesis that wealth managers within bank and trust institutions have a growing interest and are confronting challenges in opening their investment product architecture to offer third-party investment products and expertise to clients. This trend seems to be in line with a shift in many wealth management business models from a product orientation to a client advice orientation.

Method

Using an online survey, we solicited the opinions of heads of wealth management and private banking businesses in the U.S. banking and trust services industry. We asked a short series of questions to elicit feedback and opinions on the direction of both the industry and the respondent's organization, relative to our stated hypothesis.

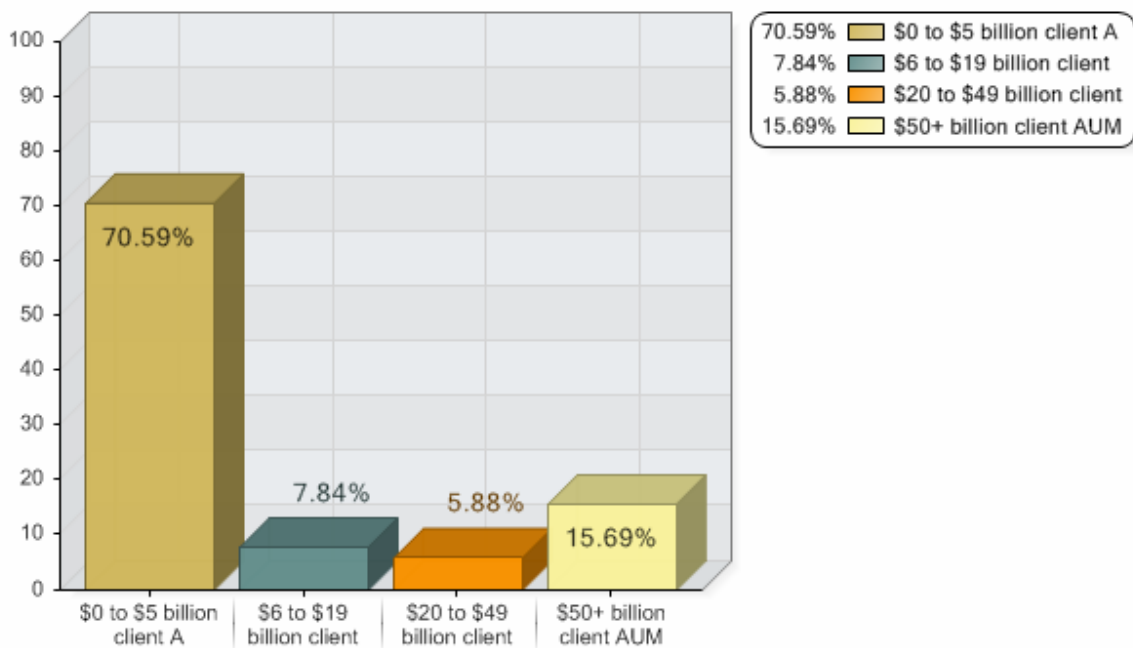
Outcome

We were pleased to receive 51 responses and appreciate the time and attention this was given by the participants. As a result, we made donations totaling \$510 to our SEI Community Philanthropy partners.

If you have any questions or feedback, please email us at quickpoll@seic.com

Respondents formed a representative sample of the marketplace, in terms of asset size.

Q1. Please indicate the size of your institution by total client assets under management in proprietary and/or open architecture investment products.

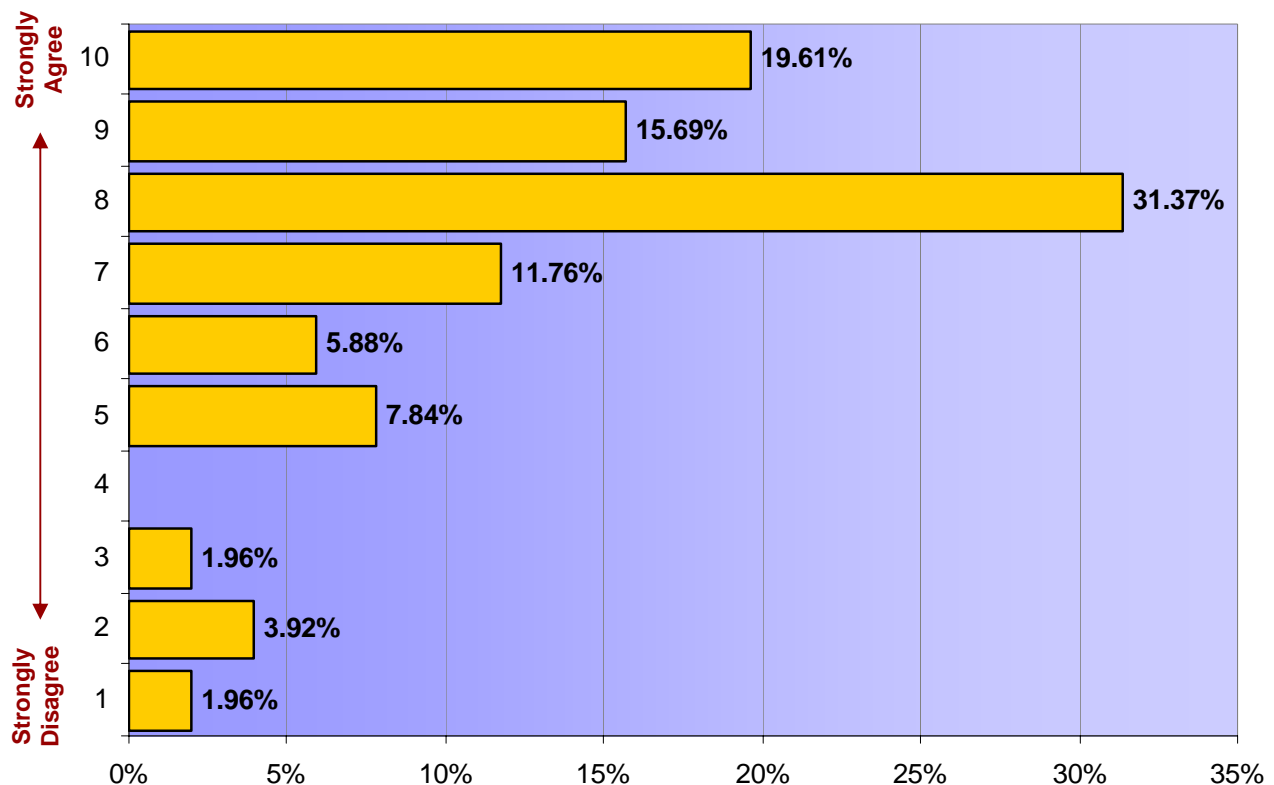


Of the respondents that participated in the quick poll:

- 71% represented firms with less than \$5B in client assets under management (AUM).
- 29% represented firms with greater than \$5B in client AUM.

There is strong agreement that “within the next 12 months, the decision to offer open architecture investment products and expertise will be a top priority for wealth institutions”.

Q2. Please indicate your agreement with the following statement: "Within the next 12 months, the decision to offer open architecture investment products and expertise will be a top priority for wealth institutions."



Overall, there was strong agreement with the statement:

- The median score of all respondents was 8
- Two-thirds of respondents selected an 8 or higher

Impact of institution size

- The median for institutions with client AUM under \$5B was 8.
 - 61% of ranked an 8 or higher.
- The median for institutions with client AUM greater than \$5B was 9.
 - 80% ranked an 8 or higher.

The desire to be perceived by clients as objective is the key factor driving institutions towards offering open architecture investment products.

Q3. In your opinion, what are the key factors driving bank & trust institutions towards offering open architecture investment products? (Rank top 3 factors)

Responses	Rank 1	Rank 2	Rank 3	Weighted Rank (%)
Desire to be perceived by clients as objective and free from the conflicts of interest inherent in offering proprietary products	48%	14%	18%	1 (32%)
Need to respond to competitors' offerings	18%	36%	20%	2 (24%)
Ability to focus more resources on client-facing activities	20%	18%	30%	3 (21%)
Clients are requesting these products	14%	16%	26%	4 (17%)
Reduce risk in wealth management operations	0	16%	6%	5 (6%)
	100%	100%	100%	100%

While the “desire to be perceived by clients as objective” was the key factor driving institutions towards offering open architecture (OA) investment products, there was some disagreement in the ranking of following factors, depending on the size of the bank & trust institution (measured in client AUM).

- Institutions with less than \$5B in client AUM ranked “responding to competitors’ offerings” as the second most important factor. Larger institutions ranked that factor third.
- Institutions with greater than \$5B in client AUM ranked “clients are requesting these products” the second most important factor, while smaller institutions ranked that factor fourth.

Opinions on the biggest challenges to implementing an OA investment solution greatly varied among institutions of different sizes.

Q4. In your opinion, what are the biggest challenges to implementing an open architecture investment solution? *(Rank top 3 factors)*

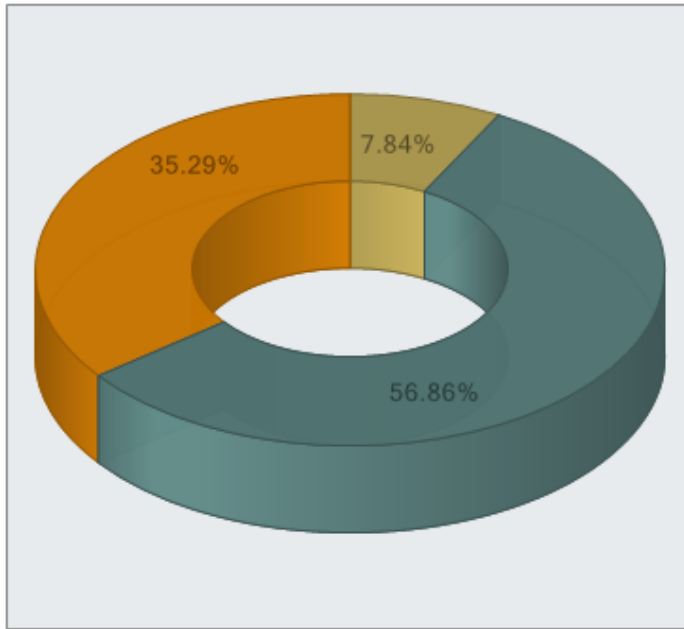
Responses	Rank 1	Rank 2	Rank 3	Weighted Rank (%)
Integrating OA platform within current client sales, service and investment processes	28%	18%	24%	1 (24%)
Changing client fee structure to maintain profits while paying OA platform provider	20%	18%	20%	2 (19%)
Integrating OA platform with current Operations infrastructure	22%	16%	16%	3 (18%)
Developing investment manager selection and oversight capability that OA platforms require	14%	18%	6%	4 (14%)
Selecting the appropriate investment managers while at the same time negotiating favorable account minimums and management fees	8%	18%	18%	5 (13%)
Selecting and managing OA platform provider	8%	12%	16%	6 (12%)
	100%	100%	100%	100%

There were great differences on the biggest challenges to implementing an OA investment solution, predominately driven by the size of the institution:

- Institutions with greater than \$5B in client AUM ranked “Integrating OA platform with operations” as their biggest challenge to implementing an OA investment solution, while smaller institutions ranked this as their fourth biggest challenge.
- In contrast, institutions with less than \$5B in client AUM ranked “Integrating OA platform with current client sales, service and investment processes” as their biggest challenge. Larger institutions ranked this as the second biggest challenge.

Over half of responding institutions offer a mix of proprietary and open architecture investment products.

Q5. Does your institution offer proprietary investment products to its Wealth Management clients?



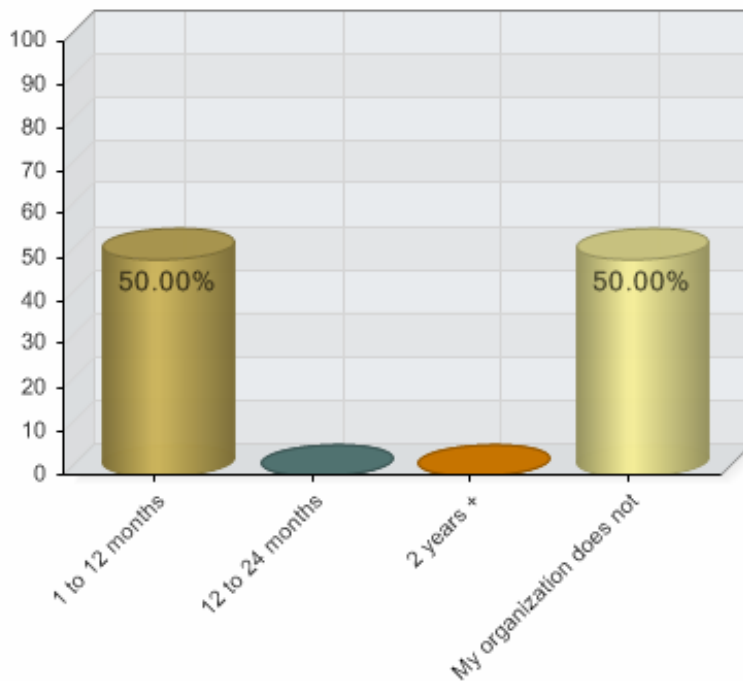
Responses	Total
Yes, we exclusively offer proprietary investment products	8%
Yes, we offer a mix of proprietary and OA investment products	57%
No, we only offer OA investment products	35%

Over 50% of participants offer a mix of proprietary and open architecture investment products. Upon closer investigation we found the following:

- 93% of institutions with greater than \$5B in client AUM offer a mix of proprietary and open architecture, as opposed to only 42% of institutions with less than \$5B in client AUM, who are more inclined to only offer OA investment products.

Institutions exclusively offering proprietary products were split as to whether their organization had plans to move towards offering OA investment products.

Q6. Please indicate the speed at which you believe your organization is moving to offer open architecture investment products.*



Responses	Total
1 to 12 months	50%
12 to 24 months	0
2 years +	0
My organization does not currently have plans to offer OA investment products	50%

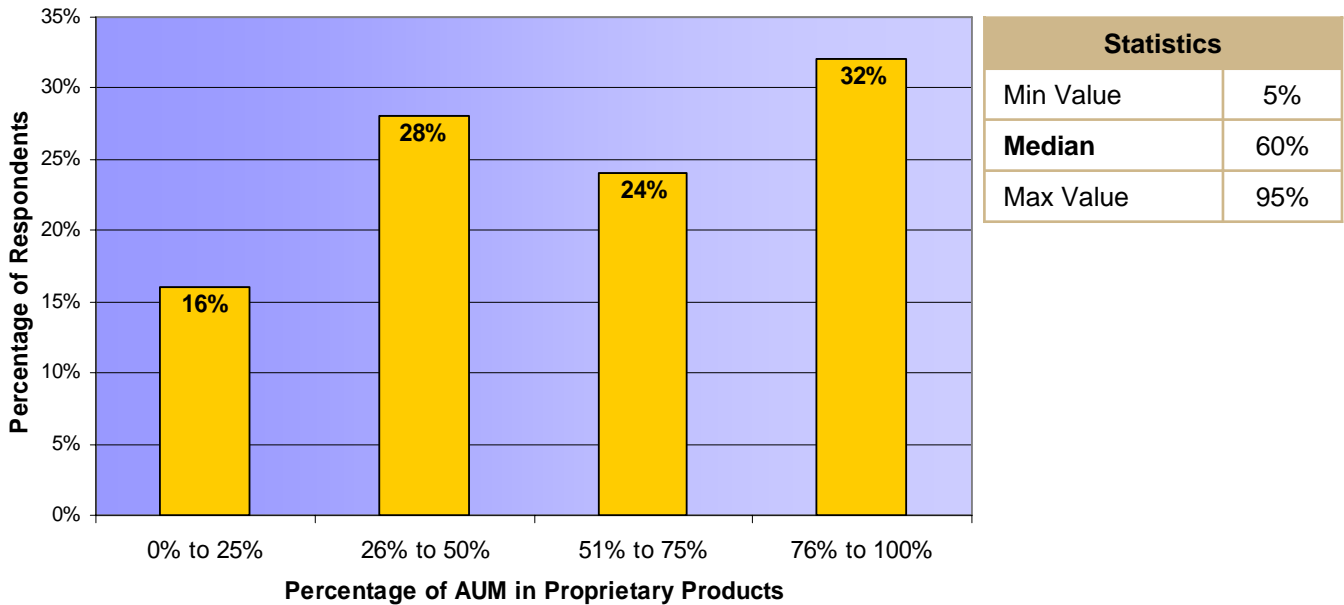
Of the respondents who answered, 50% indicated that their organization is planning to move towards OA investment products within the next 12 months, while the other 50% indicated that their organization had no plans to offer OA.

- All respondents represented organizations with \$0-\$5B in client AUM.

* This question was only answered by those respondents who answered: "Yes, we exclusively offer proprietary investment products ", to question 5.

Among institutions offering a mix of OA and proprietary products, a median of sixty percent of total client AUM is in proprietary products.

Q7. Approximately what percentage of your total AUM is in proprietary products?*



Overall, the median percentage of total AUM in proprietary products was 60%.

- There was a difference in the mix of proprietary products depending on the size of the institution:
 - Institutions with greater than \$5B in client AUM had a median of 75% of their total AUM in proprietary products, as compared to 60% for smaller institutions.

* This question was only answered by those respondents who answered: “Yes, we offer a mix of proprietary and Open Architecture investment products”, to question 5.

Among institutions offering OA, the majority will blend proprietary and OA products when it suits clients' needs.

Q8. Which of the options below best describes your institution's plans for proprietary investment products?*

Responses	Total
We will blend proprietary and OA products when it suits clients' needs	86%
We will continue to offer and recommend a 100% allocation to proprietary products when it suits our clients' needs	7%
We will divest our proprietary investment product division	4%
We will transition all clients out of our proprietary products	0%
We will offer our proprietary products to a specific client segment and OA to another segment	0%
We will only offer our proprietary products to existing customers while new clients will be offered OA products	0%
Other (Please specify)	4%
	100%

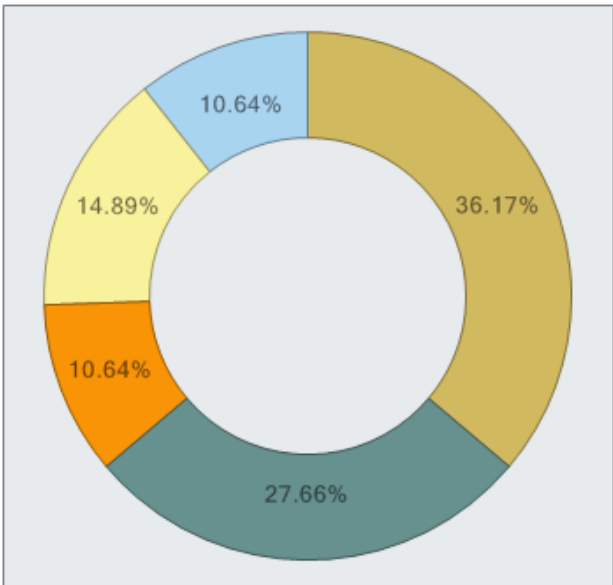
Of the respondents who answered this question:

- 86% indicated that they “will blend proprietary and open architecture products when it suits clients' needs”.
- Despite having the ability to offer OA, 7% “will continue to offer & recommend a 100% allocation to proprietary products when it suits clients' needs”.
- 4% “will divest our proprietary investment product division”.

* This question was only answered by those respondents who answered : “Yes, we offer a mix of proprietary and Open Architecture investment products”, to question 5.

Larger institutions are far more likely to provide their investment professionals with a list of mutual funds, while smaller institutions are more likely to select stocks and bonds.

Q9. Which statement best describes your investment offering?*



Responses	Total
Our investment professionals primarily pick stocks and build laddered bond portfolios for client portfolios but can choose from extensive list of non-proprietary mutual funds or managers to meet client needs	36%
We have an investment committee or senior investment professional that provides our investment professionals with a short list of outside mutual funds or managers that they can incorporate into client portfolios as a complement to our proprietary investment offerings	28%
Our investment professionals primarily use non-proprietary mutual funds or managers provided by a dedicated team of in-house research analysts	11%
Our investment professionals primarily use non-proprietary mutual funds or managers selected and overseen by a third-party provider	15%
Other (please specify)	11%

Difference in perspectives according to client size:

- 53% of Institutions with greater than \$5B in client AUM indicated they “*have an investment professional that provides a short list of outside mutual funds...*”, as opposed to 22% of smaller institutions.
- Institutions with less than \$5B in client AUM were more inclined (41%) to say “*Our investment professionals picks stocks and build laddered bond portfolios...*”, as opposed to 27% of larger institutions.

* This question was only answered by those respondents who answered : “Yes, we offer a mix of proprietary and open architecture products” or “We offer only open architecture products”, to question 5.

Fifteen - the median number of managers made available to investment professionals by institutions providing a list of managers.

Q10. Approximately how many managers are on your list of non-proprietary managers?*

# of Managers	# of Respondents
0 to 10	38%
11 to 20	31%
21 to 50	12%
51+	19%

Statistics	
Min Value	2
Median	15
Max Value	150

The majority of respondents indicated that they select from a list of 0-10 managers. The median number of managers across all respondents was 15. Furthermore:

- When taking into account client size based on client AUM, there was a difference in the median number of managers on the list:
 - The median number of managers for institutions with less than \$5B in client AUM was 10, while for larger institutions it was 25.

** This question was only answered by those respondents who indicated they chose from a list of managers in question 9.*

Training investment officers and portfolio managers to act as client advisors is the biggest challenge to institutions' sales, service and investment activities.

Q11. What have been the biggest challenges to your sales, service and investment activities as you implement an open architecture solution?* (Rank top 3 factors)

Responses	Rank 1	Rank 2	Rank 3	Weighted Rank (%)
Training investment officers and portfolio managers to act as client advisors and asset allocators	39%	37%	16%	1 (35%)
Developing a client relationship process that delivers objective advice to clients	24%	28%	30%	2 (27%)
Locating and retaining business development and relationship management talent	22%	24%	38%	3 (25%)
Developing an investment manager selection and oversight capability	15%	11%	16%	4 (13%)
	100%	100%	100%	100%

The majority of respondents clearly indicated that the top challenge to their sales, service and investment activities is:

- “Training investment officer & portfolio managers to act as client advisors”.

Impact of institution size

Institutions with greater than \$5B in client AUM ranked “locating and retaining talent” as their second biggest challenge, while smaller institutions ranked that challenge as third most important.

- Institutions with less than \$5B in client AUM ranked “Developing an investment manager selection...” as second, as compared to larger institutions who ranked that challenge as third most important.

* This question was only answered by those respondents who answered : “Yes, we offer a mix of proprietary and open architecture products” or “We offer only open architecture products”, to question 5.

Integrating the different systems required to deliver an OA solution is the biggest challenge to institutions' technology and operations activities.

Q12. What have been the biggest challenges to your technology and operations activities as you implement an open architecture solution?* (Rank top 3 factors)

Responses	Rank 1	Rank 2	Rank 3	Weighted Rank (%)
Integrating the different systems required to deliver an OA solution	55%	23%	14%	1 (38%)
Delivering a clear, consolidated statement of investment activities that shows clients how their investments are progressing in relation to their goals	31%	40%	14%	2 (30%)
Managing relationships and activities with multiple custodians	5%	15%	28%	3 (12%)
Meeting the demands of regulatory and compliance requirements	0%	15%	30%	4 (10%)
Managing more complex trading activities	9%	7%	14%	4 (10%)
	100%	100%	100%	100%

Respondents clearly indicated that their top two challenges to their technology and operations activities are, in order:

- “Integrating the different systems required to deliver an OA Solution.”
- “Delivering a clear, consolidated statement of investment activities...”

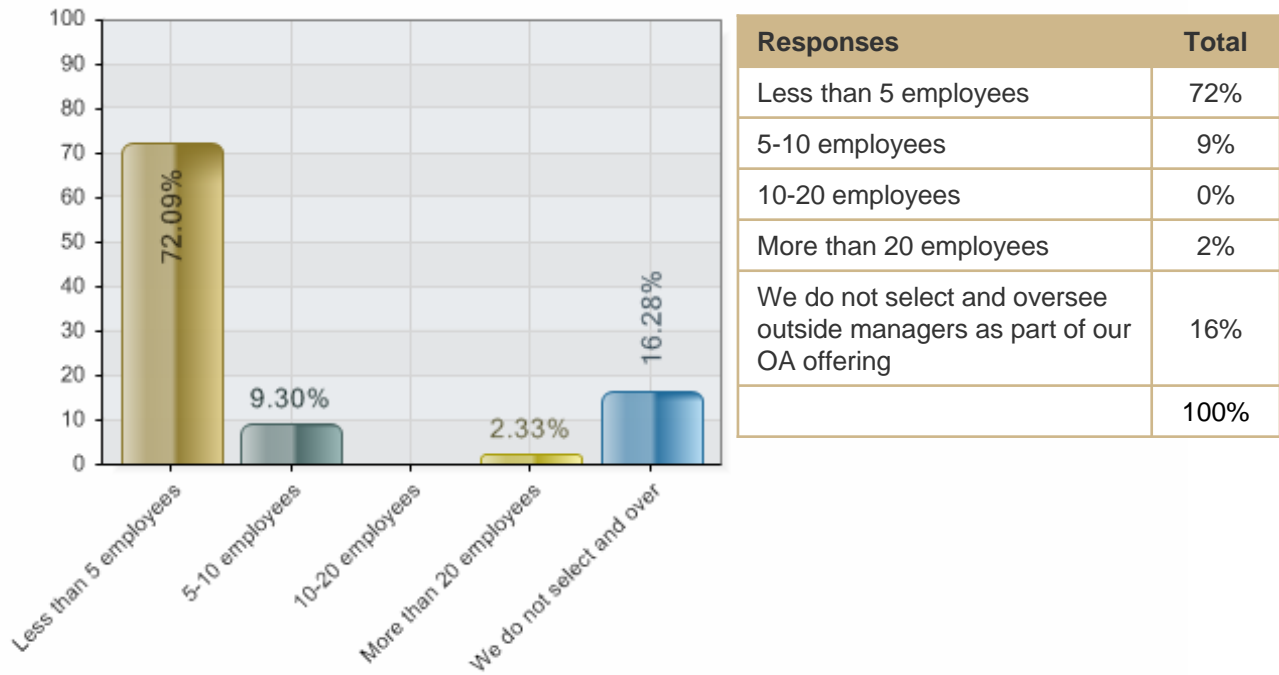
Impact of institution size

- Institutions with greater than \$5B in client AUM ranked “Managing more complex trading” as their third biggest challenge.
- Institutions with less than \$5B in client AUM ranked “Managing relationships & activities with multiple customers” as their third biggest challenge.

* This question was only answered by those respondents who answered : “Yes, we offer a mix of proprietary and open architecture products” or “We offer only open architecture products”, to question 5.

The majority of respondents have less than 5 employees selecting and overseeing outside managers as part of their OA offering.

Q13. If your institution is selecting and overseeing outside managers as part of your open architecture offering, what is your current staffing allocation for this activity?*



- Of those allocating staff, 86% indicated that their current staffing model was less than 5 employees.
- 11% indicated 5-10 employees.

* This question was only answered by those respondents who answered : “Yes, we offer a mix of proprietary and open architecture products” or “We offer only open architecture products”, to question 5.