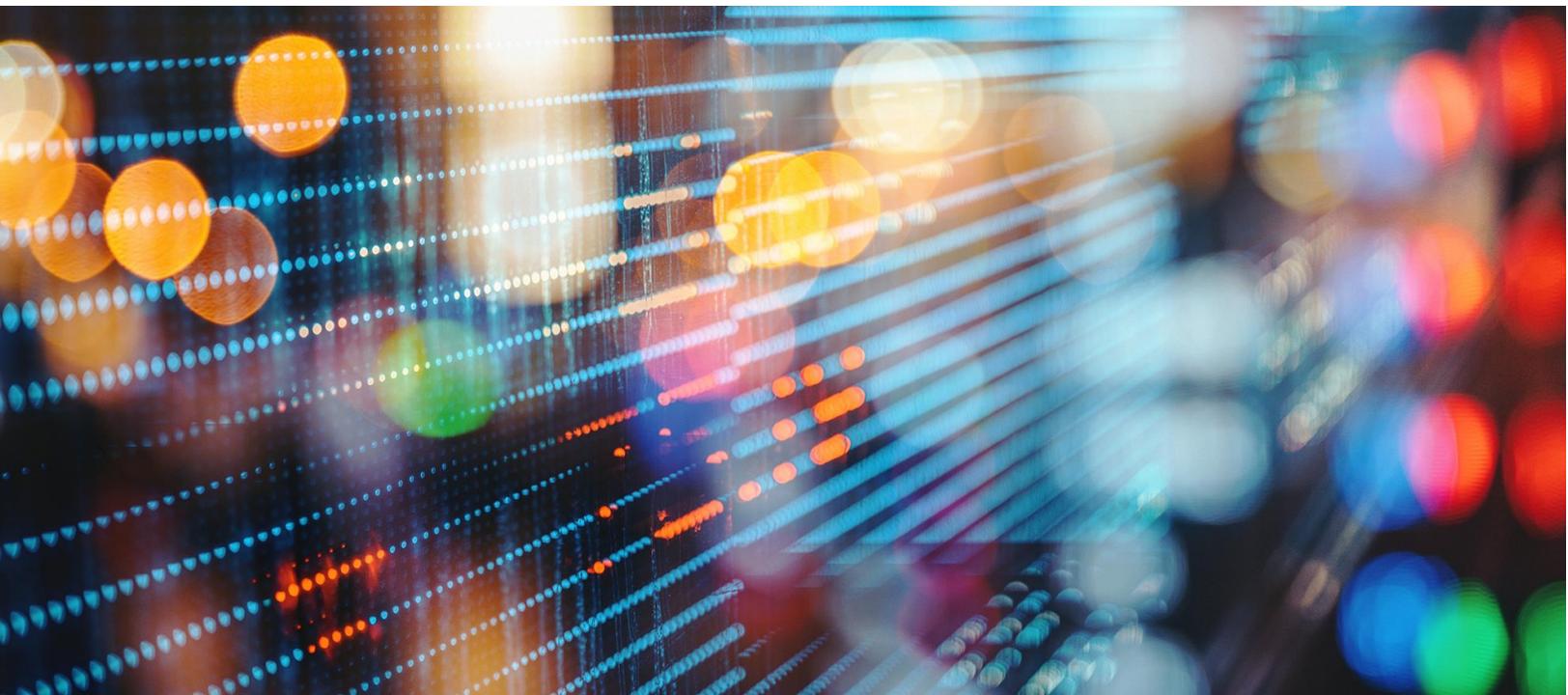


How Digital SBL Offers a Roadmap to Liquidity

LEVERAGE, NOT LIQUIDATE



Securities-based lending – a liquidity roadmap

“Leverage, not liquidate” may be the 2022 rallying cry for lenders, private bankers and wealth managers looking to provide clients with streamlined access to the low-cost liquidity that lies hidden in their portfolios.

The role that securities-based lending (SBL) plays in generating a powerful yet often overlooked source of collateralized liquidity is expanding. In tandem, accelerated digital adoption is enabling the smooth delivery of SBL services and products to wealth management clients in an efficient, end-to-end way. Wealth managers know how important credit offerings are as part of their wealth product set. Responding to increased demand for liquidity by their clients is forcing new levels of innovation and responsiveness. The race is on to deliver responsive and frictionless access to SBL.

Private banks and wealth managers are re-thinking their processes – reducing cyclical signing requirements and improving upfront information and authorization gathering. While significant, the process and system change required to support this enables those looking to capture competitive advantage in this market. Firms not addressing the challenge stand to lose out.

The main barrier to streamlining processes is often the complex maze of disparate credit systems and reporting that most bankers are familiar with. The ability to compete in the SBL market with full risk control and a streamlined customer experience relies on process efficiency and automation spanning the superset of needs across both credit risk and customer experience.

Digitization of SBL through a single platform quickly unlocks capital for those clients looking to acquire a business, make a major purchase, pay taxes and more. Successful private banks are focusing on this as a key enabler for client retention and the attraction of new AUM.

SBL : TABLE STAKES FOR LENDERS

A gathering of bank lenders and wealth managers discussed the evolution of wealth lending in the face of increasing demand for liquidity and limited physical access to clients. Delivery models are evolving quickly to enable wealth managers to support clients with their liquidity challenges.

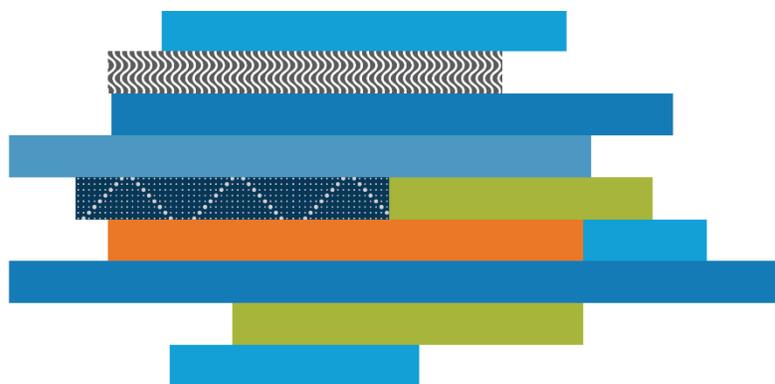
PNC Financial Services Group, Inc. Managing Director, Jon Kessler, said “A Private Banker’s ability to provide clients the advice and guidance to meet their liquidity needs is more important now than ever.” He pointed to his firm’s progress in using advisor dashboards to grow relationships and to deliver a product set that responds to client demands for liquidity.

Over one-third of HNW Individuals have called out the availability of credit as a primary reason for selecting a

wealth management firm. SBL is capital efficient and is considered one of the lowest risk loans in the market.

“ The COVID environment gave us all a wakeup call; one that we probably needed”

Ann Silverman, Area Executive &Head of Private Banking,
Wilmington Trust Inc.



With the availability of SBL, wealth firms can appeal to a significantly broader range of clients – attracting new assets and improving retention in their existing client base. According to [Broadridge’s SBL survey](#),ⁱ 77 percent of 40 participating lenders and wealth managers said they consider SBL to be a “must-have” product in their lending array. Broadridge is now looking at ways to make SBL available to smaller wealth management houses which don’t necessarily have an affiliated bank, bypassing the need for technology and system investment.

“A Private Banker’s ability to provide clients the advice and guidance to meet their liquidity need, is more important now than ever.”

Jon Kessler, Managing Director
PNC Financial Services Group, Inc.

COMBINING A HUMAN FACE WITH A DIGITIZED PORTFOLIO

Michael Alexander, President, Wealth Management, Broadridge Financial Solutions commented on the increasingly digitized role that wealth managers are now called upon to play. “Advisors can no longer rely on face-to-face meetings to grow their business,” Mr. Alexander said. “With clients spending more time at home, wealth managers have a rare opportunity to develop a deeper relationship with their client’s entire family. This is a natural moment to engage, educate and communicate with clients, spouses, partners and children. And, it doesn’t have to be more complicated than a video conference.”

While digitization is critical, the human factor cannot be overlooked; what Forum participant Donna Bristow, Managing Director & GM, North American Wealth, Broadridge Financial Solutions calls the “Bionic Advice Model” - a relationship standard that combines human expertise and assurance with digital convenience and personalization. Enhanced digitization of client service also helps advisors capture the next generation of investors set to receive their share of the [\\$68 trillion wealth transfer](#).ⁱⁱ

STREAMLINING THE LENDING PROCESS

Removing friction from legacy systems and processes requires streamlining and change at all levels in the lending process; from portfolio evaluation and origination to underwriting to servicing. Giving the advisor and client

direct access to both portfolio and credit information is a key part of this journey. They especially want access to accurate portfolio and loan information and a path to fast-release decisions. Increasingly, we’re seeing [more demand for the advanced digital tools and dashboards](#)ⁱⁱⁱ that allow advisors to present the best options to their clients and facilitate client self-service wherever possible.

With comprehensive, digitized client information in their hands, wealth managers are better positioned to deliver a more rounded, value-driven service to their clients as they optimize both sides of the balance sheet in order to generate and protect wealth – even initiating an online loan application during a client meeting.

“Enhanced digitization of client service can also help advisors capture the next generation of investors set to receive their share of the US\$68 trillion wealth transfer now underway.”

Donna Bristow, Managing Director & GM, North American Wealth, Broadridge Financial Solutions Inc.

Such digital processes are all the more important during these COVID days when the time needed to make informed portfolio decisions is at a premium and the opportunity for face-to-face meetings is limited. Direct dashboard access is similarly important for those clients who elect to self-service booked loans and perform other tasks related to enquiry, drawdown, pay down, collateral release and more.

MACHINE LEARNING PERSONALIZES DATA

Panelist Ann Silverman, Area Executive and Head of Banking, Wilmington Trust, discussed the importance of wealth managers and private bankers “adapting digital solutions, especially via data analytics and machine learning, to personalize and deepen client relationships.”

“The COVID environment has given us all a wakeup call; one we probably needed,” she added. “This ‘new normal’ has reinforced that the wealth industry must continue to accelerate the pace of digital adaptation and become truly agile.”



“We learned that we could accomplish more, faster,” Ann Silverman continued. “It turned out that our clients were eager to embrace a digital experience and to ‘test and learn’ with us. Our collective muscle memory, as advisors and clients, has evolved and, together, we are finding new ways to connect digitally and as wealth managers, to use these platforms and channels to give advice, meaningfully engage, and meet the needs of our clients.”

DAILY “WHAT IF?” COMMUNICATIONS

Digitizing the SBL client experience also allows firms and advisors to manage large-scale communications during periods of market volatility. As extraordinary market events become more ordinary, wealth managers are focused on preserving client wealth by testing SBL themes against “What If?” situations to manage risk and to avoid out-of-margin events (OOM) that could disadvantage portfolios. Accordingly, advisor dashboards are updated daily to provide detailed views of loan credit activity. Automated alerts and flags for top ups and sell outs are utilized to help pursue a zero-default rate.

“ Rolling out other technologies altered our collective muscle memory too and led us to move this particular lending solution, SBL, toward the front of the line.”

Ann Silverman, Head of Private Banking
Wilmington Trust

Some trends that were already proved challenging have taken on more urgency. Wealth managers and banks are facing two such tests: increased fee compression and narrowing deposit spreads.

Both are spurring an urgent quest for new ways to drive wealth management revenue and to optimize operational efficiency. In-demand, low-cost products like SBL, with a clean digital footprint are well-positioned to tackle those business priorities.

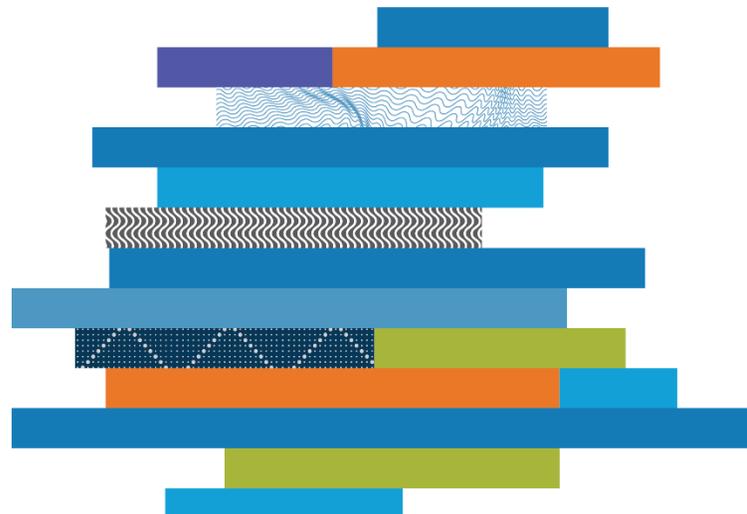
DIGITAL ROUTE TO PROSPECTING WITH SBL

Databases in the middle-to-back office are gathering troves of valuable information on client transactions and interactivity. A recent [Broadridge investor survey^{iv}](#) examined how investors value the personalized information they receive from advisors. For advisors increasingly taking on a life coach role, introducing solutions like SBL when appropriate is a distinctive way to demonstrate additional value to clients. For example, SBL offers a compelling, alternative message to clients considering more traditional forms of financing. SBL can be offered as a lower cost option, which can be backstopped by other credit types.

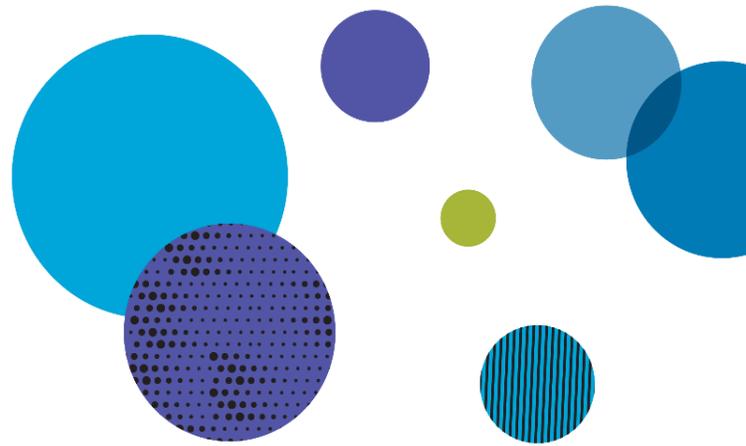
While SBL is available from a wider range of institutions than ever before, most firms capture only a small fraction of their client base or prospects with SBL solutions. Through insights gained from machine learning, advisors can uncover pre-qualified candidates based on their borrowing and other patterns. Then, with digital intelligence in hand, advisors are better prepared to reach out to potential borrowers with the human touch clients want.

As we find a path to growth, we can expect to see an increased demand for rapid access to liquidity. Both banks and wealth managers should find that they have new opportunities to meet client needs for credit solutions like Securities-Based Lending, which support their portfolio objectives while meeting their firm’s own strategic agenda for digitization, streamlining and business growth.

For more information, please contact jeff.leone@broadridge.com or visit broadridge.com/navigator



-
- ⁱ Broadridge *Market insights for your Securities-Based Lending strategy*
<https://www.broadridge.com/report/rockall-sbl-industry-survey>
 - ⁱⁱ *Millennial Investors and the Great Wealth Transfer*
<https://www.thestreet.com/retirement-daily/nextgen-money/millennial-investors-wealth-transfer>
 - ⁱⁱⁱ Broadridge *Accelerate your entire SBL business with NAVIGATOR* <https://www.broadridge.com/financial-services/wealth-management/wealth/advance-control-risk-and-support-services/end-to-end-securities-based-lending>
 - ^{iv} *Investor Preferences Undergo Lasting Transformation from COVID-19 Pandemic, Reveals Broadridge Survey*
<https://www.broadridge.com/press-release/2020/investor-preferences-undergo-lasting-transformation-from-covid-19-pandemic>



Broadridge, a global Fintech leader with over \$4.5 billion in revenues and part of the S&P 500® Index, provides communications, technology, data and intelligence. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth.

[broadridge.com/NAVIGATOR](https://www.broadridge.com/NAVIGATOR)



© 2021 Broadridge Financial Solutions, Inc., Broadridge and the Broadridge logo are registered trademarks of Broadridge Financial Solutions, Inc.



Ready for Next

Communications
Technology
Data and Analytics