



# Trend Report:

The Rise of Composite Applications Among RIAs and Broker-Dealers

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## Introduction

Financial services firms today face an incredibly complex operating environment. With the Eurozone crisis far from over and memories of “The Great Recession” only beginning to recede, investors are looking to recoup their losses at a time when market volatility remains high.

Meanwhile, consumer confidence in large financial services firms continues to erode, stoked by the Occupy Wall Street movement, high-profile bankruptcies and repeated allegations of fraud leveled against top investment banks by the SEC.

In an attempt to restore trust in the financial services industry, governments around the world have been ratcheting up regulatory requirements. In the U.S., this has taken the form of the Dodd-Frank Act, which is, at 2,319 pages, a dense law that aims to overhaul the entire financial services industry.

At the same time, financial services professionals themselves are challenging the status quo by breaking away from large firms and starting independent businesses that offer higher levels of flexibility and transparency—from both an operational and a client perspective. Charging a fee instead of collecting commission, breakaway brokers say, eliminates conflicts of interest between firms and their clients.

With more advisory firms competing in the market, registered reps and RIAs alike are finding it difficult to grow and maintain profits while adjusting to today’s ever-changing regulatory landscape. P&Ls are under pressure, and the increasing compliance costs associated with Dodd-Frank aren’t providing any relief.

## Agility and the Rise of the Composite Application

During these difficult economic times, the phrase “do more with less” has proven to be more relevant than ever. Advisors who are agile, willing to learn new skills and be malleable while being unsure, are achieving greater levels of success than those who are not.

Agile firms have begun to reassess their operating models to ensure that they are optimized for today’s complex business environment. Technology-wise, they’ve found that switching back and forth between different systems such as portfolio management and CRM is both time-consuming and costly, and they’re looking to create composite applications that weave the capabilities of many systems together into a single user interface.

According to analyst firm Gartner, “A composite application is one that has the appearance of a single application (from the point of view of the end user) but is, in fact, composed of multiple, independently designed applications. They defragment the end user’s view into data, providing, for example, a ‘customer-centric’ perspective in which all relevant information on a customer is accessible from a single user interface.”

Composite applications are attractive because they allow firms to create new and innovative solutions using existing technology investments.

According to Brent Burns, Founder of Asset Dedication, LLC, “We wanted to keep our fees low enough that we’d be extremely competitive. Technology was the way to get more done with a smaller headcount.” He explains that Asset Dedication has created a composite application by integrating BondDesk’s inventory and trade management system with Asset Dedication’s portfolio management, customer relationship management (CRM) and enterprise content management (ECM) systems.

Burns says, “Once someone signs onto the system, they can do everything they need to without leaving the program they’re using. I don’t want people having to learn 20 systems—I want that single sign-on; I want it to be that fast.”

This particular composite application allows Asset Dedication to automate the account opening process while streamlining compliance procedures.

Large custodians like Schwab and TD Ameritrade also recognize the importance of composite applications, and have begun offering their reps access to technology that can be combined to automate processes such as new account opening, transaction approvals and quarterly reporting, among others.

## ECM: The Glue in Your Technology Stack

If you are not familiar with enterprise content management (ECM) technology, best-in-class ECM solutions include document imaging capabilities that enable broker-dealers and advisory firms to go paperless, records management automation that lowers the cost of compliance and workflow functionality that allows firms to automate standard business processes. An ECM system should also provide robust search functionality that quickly produces information on demand and powerful security features that protect confidential client information.

However, for many firms, the ability to use ECM as integrative middleware that ties multiple applications together is just as important as its stand-alone capabilities. When used in this way, ECM links legacy systems and line-of-business applications, allowing advisors and registered reps to easily access documents through whatever system they choose, including CRM and portfolio management, among others.

How does this work? When an advisor is looking at a client record in the firm's CRM system, for example, he can click on a hyperlink that will automatically open additional content—such as new account forms or order approvals—stored in the ECM system.

A key benefit of this type of integration is that advisors are basically unaware of using an ECM solution. For them, ECM is an invisible extension of the CRM system. They don't need training on how to use a new software system, nor do they have to waste time retrieving paper copies of important client documents.

These efficiencies add up over time. In fact, the 2011 Investment News RIA Technology Study

revealed that RIAs who use ECM as integrative middleware reap higher rewards from their technology spend. For example, Friedrich Wealth Management, a registered independent advisory firm serving Long Island and New York City, has integrated ECM with its CRM system so that advisors can have anytime/anywhere access to client information, boosting revenue by 25%.

When firms create composite applications, ECM's role as integrative middleware becomes even more meaningful and important. Independent broker-dealers and RIAs in particular can ill afford the time and expense associated with traditional IT development scenarios. An ECM system with an open API that supports industry-standard platforms such as Microsoft SQL Server, Oracle and Microsoft .NET can be easily added to the composite application. By contrast, systems that don't integrate easily will require the services of expert—and expensive—programmers, analysts and consultants to code and configure them as part of the new, composite app.

According to Ali Mroue, Chief Operating Officer at Al Hewitt Inc./Hewitt Financial Group, "We required that the ECM system we chose would integrate with our CRM and tax software, and send Microsoft Office documents directly to the ECM repository. We wanted everything to mesh together. A lot of the ECM systems we evaluated either didn't integrate, or if they did, the integrations were going to be complicated and expensive to configure."

When creating composite apps, ease of integration is paramount. The goal is to reuse what you already have—not spend thousands on custom coding and development.

## Essential ECM Capabilities

Document Processing	Document Storage	Application Development	Compliance
Captures paper documents as well as electronic documents, e-mails and audio/video files.	Manages digital archives and automatically applies information management rules.	Acts as middleware for integrating with business systems such as CRM, ERP and portfolio management applications.	Expedites audits by providing digital records on demand.
Extracts data and automatically populates metadata fields, eliminating manual data entry.	Offers uniform data/document repository, auditing and compliance reporting functions.	Supports independent applications and repeatable shared services.	Automates document retention and destruction, simplifying recordkeeping and decreasing the work involved in responding to regulations.
Supports interoperability that allows data updates in one system to be automatically reflected in another.	Provides standard and customizable security measures for documents, data, applications, departments and users.	Allows development of applications with central control and local flexibility.	Systematizes the disclosure process so that advisors cannot progress from one step of the process to the next without meeting specified rules or conditions.
Automates managerial tasks such as document filing and retention, approval routing and issue escalation.	Supports full-text, image file and customizable search functions.	Provides a flexible user interface for entering documents and data and receiving updates on system activity.	
Audits user interactions at all steps.	Scales to serve large repositories, longer retention and growth in document and data volumes.	Supports mobile devices with secure access for remotely accessing data, applications and workflows.	
	Allows use of universal repository with customized access for each department.	Enables document searches across the ECM system and other online sources.	

## Composite Apps in Action: New Account Opening

For most independent advisors and registered reps, the new account opening process—even in today’s digital world—involves a significant amount of paperwork. Filling out paper forms, chasing down signatures, manually inputting client data into the CRM system, filing paper documents by hand—the inefficiencies and expense associated with this manual, hardcopy process go on and on.

Agile advisors are looking to streamline new account opening with composite apps comprised of ECM, CRM, business process management (BPM) and electronic forms.

- ▶ The e-forms component eliminates the need for advisors to work with paper forms.
- ▶ The ECM piece gives them a digital repository where they can store, index, search and instantly retrieve these forms.
- ▶ The metadata that’s indexed by the ECM system can be automatically transferred to the CRM system, eliminating the possibility of erroneous data entry.
- ▶ Finally, the BPM component alerts compliance officers to the existence of new forms and prompts them to review and approve them.

By using ECM as integrative middleware in a composite app, Rehmann Financial, an independent RIA and broker-dealer operating 17 offices in four states, has dramatically

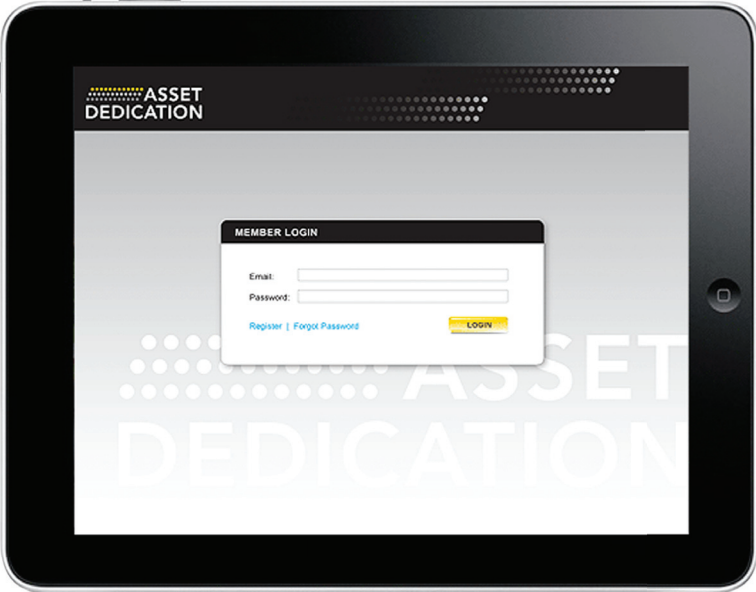
accelerated the new account opening process. Forms that used to spend weeks in the mail and sitting on desks awaiting approval signatures now move automatically—with a single click of the mouse—from advisors to compliance supervisors.

Asset Dedication, a fixed income sub-advisor, has bundled even more functionality into the composite app it uses to automate new account opening. It has created a portal called AdvisorSpace that combines ECM, e-forms, CRM and portfolio management to create an online workstation for its advisors to create proposals, generate account forms and automatically store documents in the ECM repository. To top it off, advisors access the portal on their iPads, giving them the flexibility to create a virtual office anywhere, at any time.

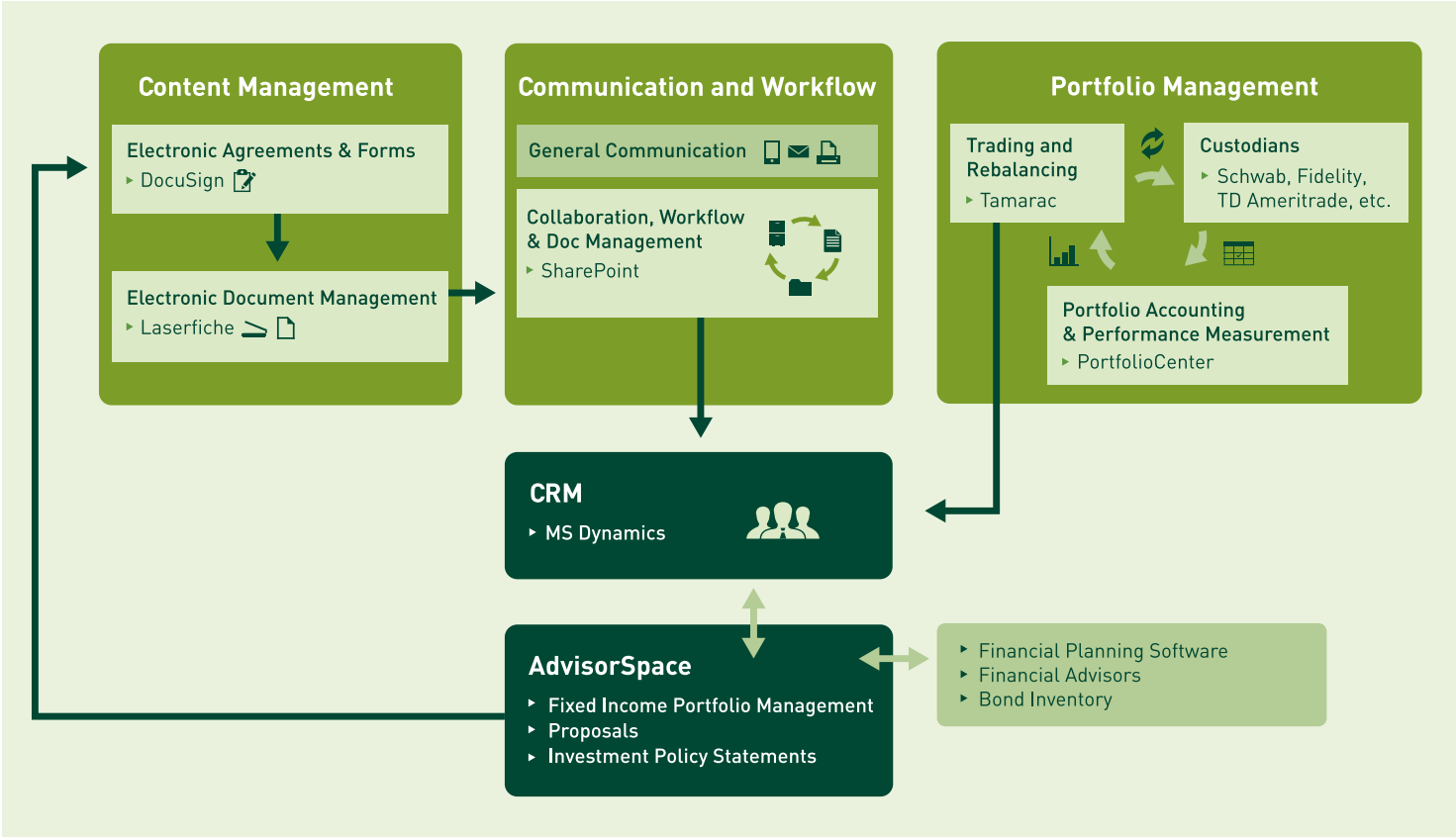
“Essentially, the whole back end operates seamlessly,” Founder Brent Burns says. “The system keeps notifying everyone until the agreement is signed, and when it comes back, it’s automatically stored in our ECM system.”

He notes that the ECM component of the integrated solution is vital for compliance purposes. “In a post-Madoff world, it’s important that people know you have the policies and tools in place to ensure that compliance standards are being met. With ECM, we’ve been able to make the commitment to be paperless, but in a way that makes it easy for auditors to see that we’re following the guidelines.”

# AdvisorSpace Login Screen



# How Asset Dedication's Composite App Works





## Composite Apps in Action: Client Reporting

Research has shown that a mere 10% of clients actually open their quarterly reporting statements. By digitizing and automating the reporting process, firms can save big while increasing their own access to the reports that enable them to provide informed, proactive investment advice.

Halbert Hargrove Investment Counsel, an RIA with \$1.2 billion in assets under management, created a composite app comprised of CRM, ECM and portfolio management to automate a daily reporting process that grants its investment counselors access to real-time information on client positions and holdings. The app enables investment counselors to make informed investment and planning decisions and provide proactive customer service.

Early on, the firm realized that to be efficient and prevent errors, it needed to have just one point in the process where client data is entered and stored. That is why it has constructed its reporting workflow around its CRM system and has used integrations into the portfolio management and ECM systems to make the process seamless.

Once a new account has been set up in the CRM system and assigned to an investment counselor, Halbert Hargrove's composite app begins to realize its power:

- ▶ The portfolio management system automatically generates daily reports through an innovative electronic publishing system that the firm created.
- ▶ By integrating ECM with the publishing system, the reports are automatically transferred from the publishing system into the ECM system.
- ▶ Then, the reports are automatically made accessible to the investment counselors through the CRM system, which contains a direct link to the daily report in each client's record.
- ▶ At the same time, the reports are simultaneously published to Halbert Hargrove's client Website for online viewing via a password-protected site.
- ▶ For those clients who choose electronic delivery of reports, an automatic e-mail from the CRM system alerts them that there is information awaiting them, thus completing a fully automated workflow cycle.

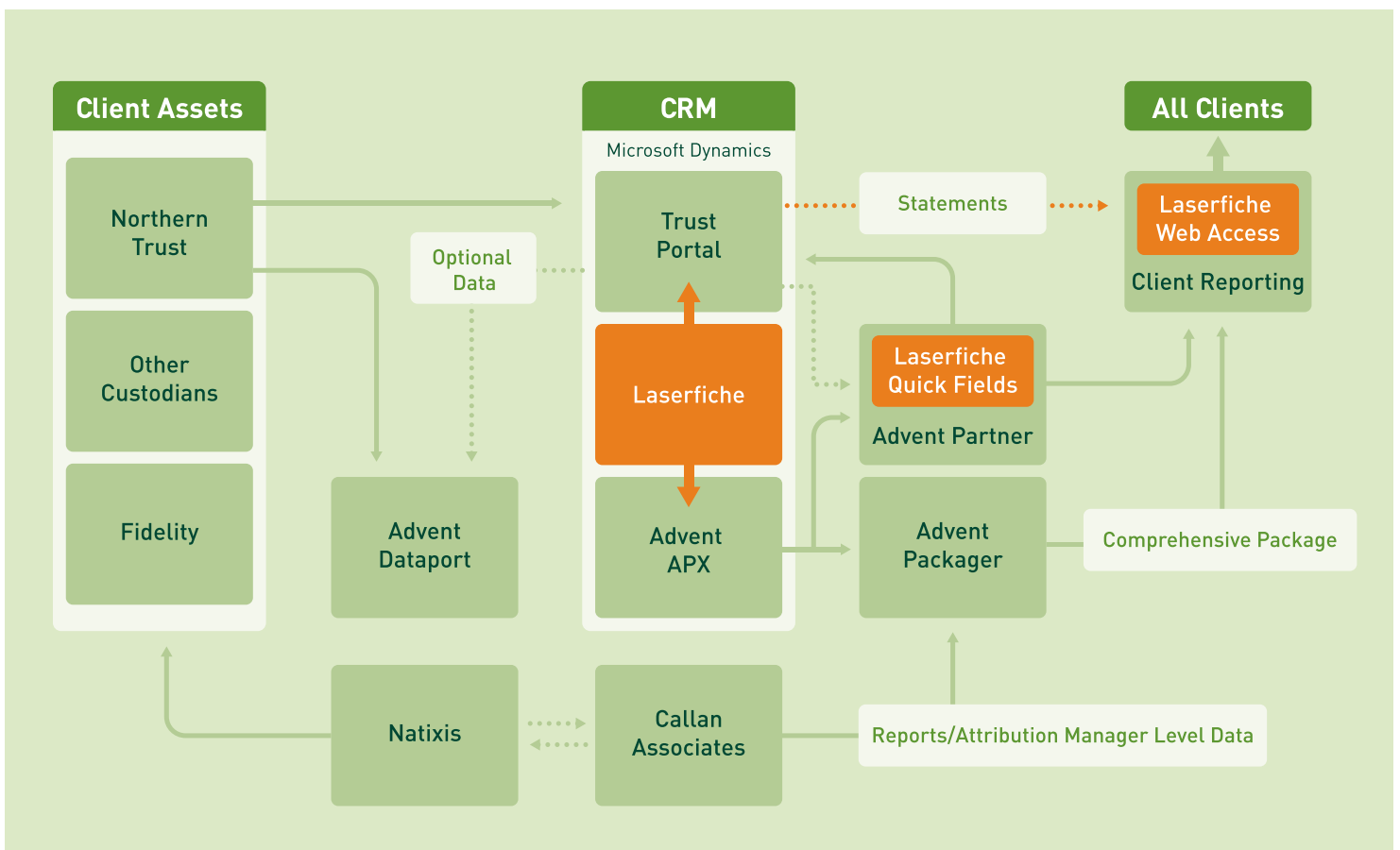
“By having this end-to-end integration, we can be extremely fast, efficient and flexible in responding to client service requests. Additionally, with the one point of entry for client data, we’re minimizing errors,” says JC Abusaid, the firm’s Chief Operating Officer.

He notes that the composite system also makes quarterly reporting a much simpler process. “When it comes time for quarterly reports, we can take the published, electronic versions and e-mail those out to the clients who have elected to receive them in electronic format. This helps reduce the total amount of paper and mail we create and, for some clients, we do not generate any paper at all.”

In terms of ROI, Abusaid says, “While we haven’t put an actual dollar figure on the value of this composite system and what it does for us, we do know that in terms of scaling upon existing infrastructure, back-office efficiencies and the lack of filing storage—it has to be in the range of tens of thousands of dollars per month.”

Similarly, North Carolina’s Piedmont Trust Company has integrated its portfolio management, CRM and ECM systems to grant clients access to information via a client portal. According to Managing Director Ed Wright, “The integrations were not costly thanks to the SDK and open architecture associated with our ECM system, which allowed us to create a customized Web experience for our clients.”

### How Piedmont’s Composite App Works



## Composite Apps in Action: Compliance Review

On average, advisors spend nine hours a week on compliance-related tasks. Advisors at firms that use ECM, however, spend only five hours on these activities—a big productivity boost.

Rehmann Financial created a composite application composed of ECM and CRM to make staff more efficient by streamlining its compliance review process.

According to Amy Flourry, Rehmann's Operations Manager, "Integration is so important to us, I can't emphasize it enough. It's one of the first things we look at when considering new software, and frankly, we've found many programs that claim they'll integrate with our CRM, but they really don't."

After implementing an ECM system in 2007, Rehmann found that "the link between our CRM and ECM systems is seamless, which is what makes it so valuable," says Flourry. "It's simple enough that it doesn't overwhelm our advisors, but complex enough to do everything we need."

Technology Coordinator Katie Skoczylas adds, "Our advisors don't want to know the fancy stuff in the background just to find a copy of a letter, they just want to click on a button to open a client file. But we like knowing that when you move a document into the client folder structure of our ECM repository, it's immediately available in our CRM system."

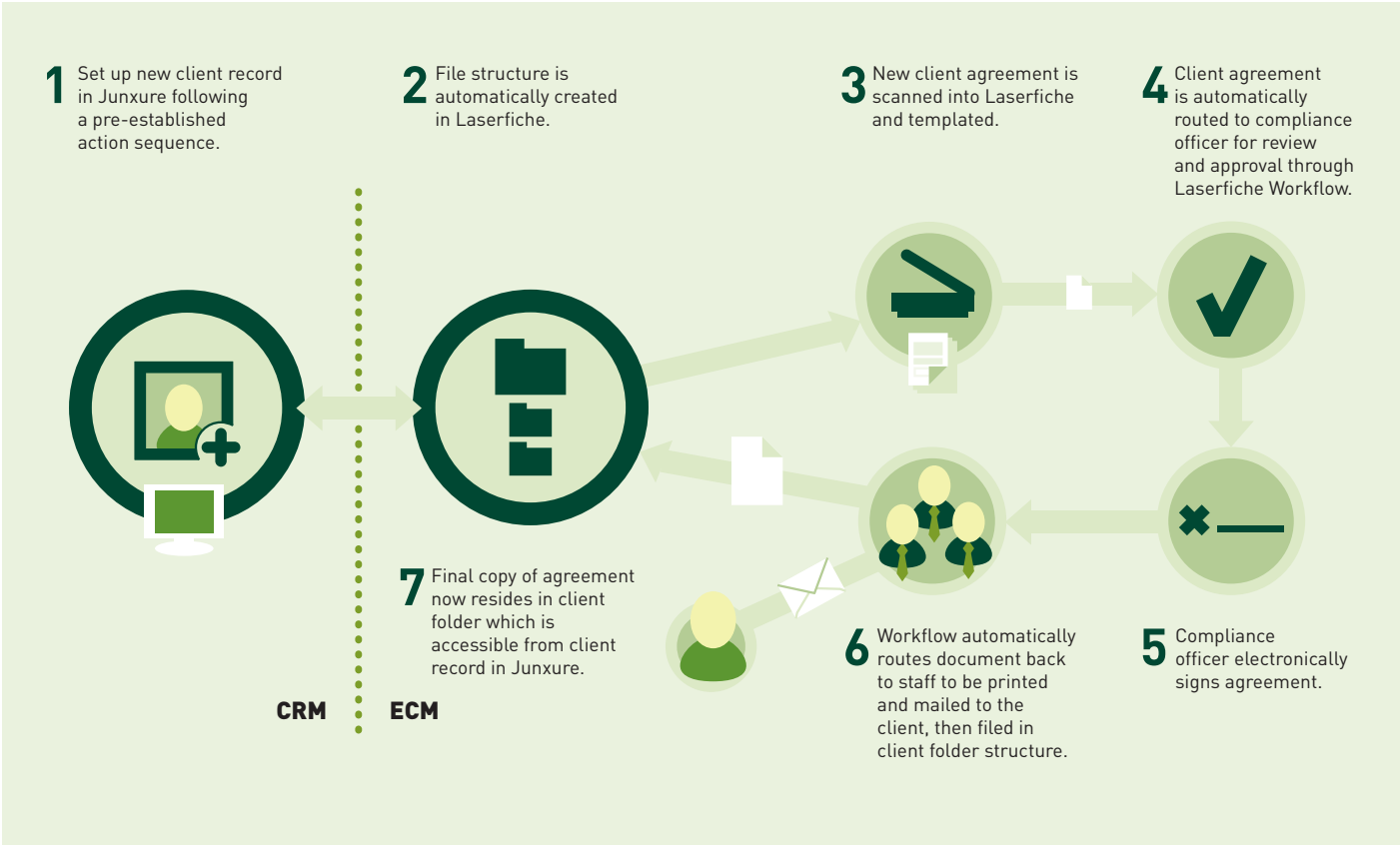
She continues, "Right away we started using the business process management tools included in our ECM suite for our correspondence, checks and securities logs. For example, we used to have to make two copies of a check, then have 25 support staff from different regions cutting and pasting information into a single Excel file."

Now staff scans checks into the ECM system, eliminating both the two copies and the Excel file itself—as well as a daily process that took 5-10 minutes per check. "With our ECM system, the check log literally creates itself. It takes staff less than a minute. All they have to do is scan in the checks and the compliance supervisors can review them right from the ECM system."

The same goes for the 400 or so pieces of correspondence supervisors need to review every month, which they approve with a digital signature. Skoczylas says, "The compliance supervisor looks up a piece of correspondence, highlights it, signs and dates it with a time stamp."

Flourry notes that ECM has boosted Rehmann's efficiency so much that the firm has brought on four new advisors in the last year but hasn't had to hire any new administrative staff. "When you tell your executives that your administrative staff can do something in 20 minutes that used to take four hours, they can appreciate that," she says.

# How Rehmann's Composite App Works



## Composite Apps in Action: Straight-Through Processing

Composite applications that incorporate ECM enable broker-dealers to eliminate the time lags and redundancies of manual transaction processing and ensure that client information is processed correctly from the moment a new account form is signed.

The business process management capabilities built into best-in-class ECM solutions automate processing for new accounts and transactions, while audit trails track system activity for compliance purposes. Best

of all, compliance staff has a clear line of sight to the point of creation, which improves supervision and adherence to regulations that require privacy, security, accountability and transparency.

Authorized users in the home office, branch offices and the field have instant access to client forms and records, reducing the costs of managing information while improving collaboration and ensuring compliance.

# How Straight-Through Processing Works

## Content Creation and Capture



Generate necessary forms from electronic forms library and populate them with information from the CRM application.



Validate information for compliance and submit electronic form signatures.



Capture all additional documentation, including paper, faxes, e-mail and Web content, and convert it to a standardized format for long-term retention.



Validate information for compliance and submit electronic form signatures.

## Field Office System



Find information faster and respond to client requests quickly.



Provide appropriate documents and data to customers immediately via e-mail.



Eliminate the need to store physical records through archival to non-volatile media (SEC 17a-3 and 17a-4).



Enable the display of information in context via a fully integrated system and dashboard interface.

## Home Office System



Clearing House

Complete transaction validations and approvals electronically.

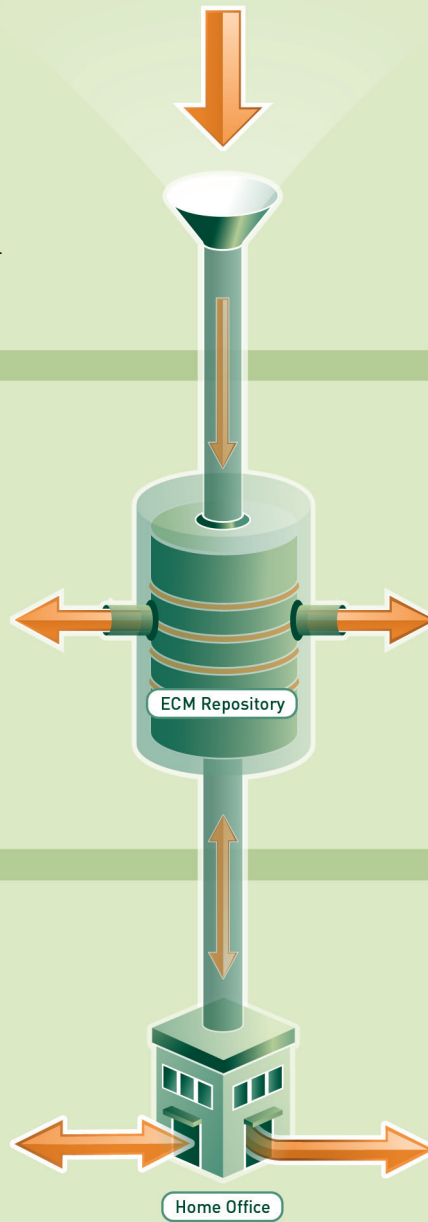
Generate order tickets and submit transactions electronically.



Log all activities, including electronic transfers, and update electronic blotter.



Enable remote audits and reduce the amount of time spent fulfilling requests from outside auditors.



Transamerica Financial Advisors, Inc. (TFA), an indirect subsidiary of AEGON N.V., uses ECM as the foundation of TFA Synergy, a technology platform that enables automated new account processing, Web-based document management, an e-Signature solution and automated compliance review.

The firm offers TFA Synergy to its network of more than 700 registered representatives via the TFA representative Website. “TFA Synergy is financial advisor-friendly, compliance-oriented and seamless in operation,” says Sandy Brown,

TFA President and Chief Executive Officer. “It helps our current and future financial advisors save money through reduced administrative expenses, and frees them up to spend more time with clients by eliminating the hours spent filling out forms and tracking down paper files.”

Julius Baldueza, IT Manager at TFA, adds, “With TFA Synergy, we’ve improved service from the front office to the back office by streamlining processes and eliminating inefficient manual workflows. Overall, our reps really notice how TFA Synergy improves their ability to provide better service to their clients.”

### Benefits of Straight-Through Processing

Transaction	Field Office	Home Office
Forms can be generated from an electronic forms library and pre-filled with information from a CRM application, eliminating manual data entry.	Business process management tools automatically route information through approval and submission, accelerating processing time.	Business process management tools reduce the cost of compliance and limit exposure to civil and criminal liability.
Reps submit e-forms or imaged documents that are submitted via a Web-based portal, reducing mailing and couriering costs.	Automated work processes reduce NIGO paperwork and ensure compliance.	Audit trail functionality tracks all system activity, including who accessed information and what they did with it, providing transparency and accountability.
Documents are automatically filed and routed to OSJ managers for review. Automatic e-mail notifications ensure prompt action.	Instant access to information results in faster, more cost-effective OSJ audits and better customer service.	Business process management tools also automate e-mail review and retention, streamlining the process.

## Conclusion

There is a vivid connection between agility and the availability of information. The more information advisors have at their fingertips, the faster, more informed decisions they can make—about their clients and their overall business strategy.

In today's uncertain economic climate, agile advisory firms are looking for tools that will give them an edge. ECM technology—particularly when used as integrative middleware in a composite app—can be one of these tools.

By granting you immediate, relevant access to your records, documents and forms through any number of user interfaces and as part of innumerable processes, ECM will help you make better decisions and successfully adapt to both expected and unexpected change.

In fact, recent ROI analysis conducted by Nexus Strategy, a leading consulting firm to

the RIA industry, compared income statements from 1,000 RIA firms to determine the benefits of investing in ECM. The research showed that firms that use ECM to automate business processes such as those outlined in this report cut overhead expenses by an average of 9% each year, increasing yearly income between \$48,000 and \$362,000.

So don't be afraid to use the tools you have in new and exciting ways. While it is true that financial services firms depend on a variety of software applications to support their operations, it is also true that advisors and office staff don't want to contend with an endless array of applications and dozens of screens. By creating composite apps that grant them access to the precise information they need at the moment they need it, you can give your users exactly what they need to serve customers and capitalize on opportunities more quickly and decisively than your competitors.



The Laserfiche Institute teaches staff, resellers, and current and prospective clients how to use Laserfiche most effectively. As part of this mission, the Institute conducts more than 500 Webinars each year, covering a variety of topics. The Institute also hosts an annual conference where members of the Laserfiche community attend presentations and network to share ideas and learn best practices. Additionally, the Institute conducts a number of regional training sessions and provides resellers with content for more than 100 user conferences each year.

The Institute also develops and distributes educational material through the Laserfiche Support Site. On this Website, clients can access training videos, participate in online forums and download technical papers and presentations that help them become savvier ECM users.

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