

The Power of Real Time: **A Cause for the Sub-Advised Industry**

By Tom Warren, President, UAT Inc.

The sub-advised industry has grown to \$3.5 trillion in assets, in part because insurance companies have come to rely on external money managers to manage their investment fund portfolios. The benefits include the money managers' expertise and brand, reduced infrastructure needs, improved performance and increased flexibility.

But there are complex challenges inherent to operating sub-advised platforms. For decades, limited transparency, inadequate oversight and high brokerage costs have gone unaddressed. Recently, however, technology has been made available to create a broad-based, real-time solution for the problems facing the sub-advised industry.

The multi-patented UAT System brings a higher fiduciary standard to the sub-advised market, enabling real-time control over external money managers through a comprehensive platform. As a result, UAT has a cause: Save the sub-advised industry \$1 billion dollars per year while achieving a real-time standard of fiduciary oversight and transparency.

Brokerage costs for sub-advised portfolios can account for 10 to 15 basis points in expenses on top of disclosed asset management and operating expenses. With new technology, the high volume of low-cost, all-electronic trades can be captured and executed at the lowest available price, in conformance with SEC regulations, allowing external money managers greater time to devote to high-impact trades that have to be "worked." The result is a savings of tens of millions of dollars annually for large platforms, which significantly improves investment performance. With a reasonable level of acceptance, such a system could actually lower the \$3.5 trillion sub-advised industry's brokerage costs by \$1 billion dollars per year.

This same technology also enables the sub-advised industry, for the first time ever, to capture and review trades before they occur, ensuring that fund advisors are fully complying with supervision and oversight rules put into place by the SEC. This need exists because the SEC does not provide exemptive relief from SEC supervision requirements to sub-advised platforms. Therefore, even though the sub-advised platforms do not currently have the technology to properly satisfy the supervisory requirements of existing SEC regulations (including Rules 38a-1, 206(4)-7 and 203(e)-6), sub-advised platforms are required to properly supervise activity and prevent violations by external money managers. Previously, a trade that would violate regulations would have gone unnoticed, ignored or an attempt to fix it would occur days later. Now, through new technology, the trade will not only be identified, but stopped prior to execution.

The sub-advised industry faces the dawn of a new level of growth and prosperity. Real-time tools now exist to address decades-old shortcomings in oversight, supervision and costs. We at UAT have a cause: Save the sub-advised industry \$1 billion dollars per year while achieving a real-time standard of fiduciary oversight and transparency. We ask you to join us.

Tom Warren is President of UAT Inc., a Denver CO financial services technology company providing real-time control, compliance and savings to the sub-advised industry.



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