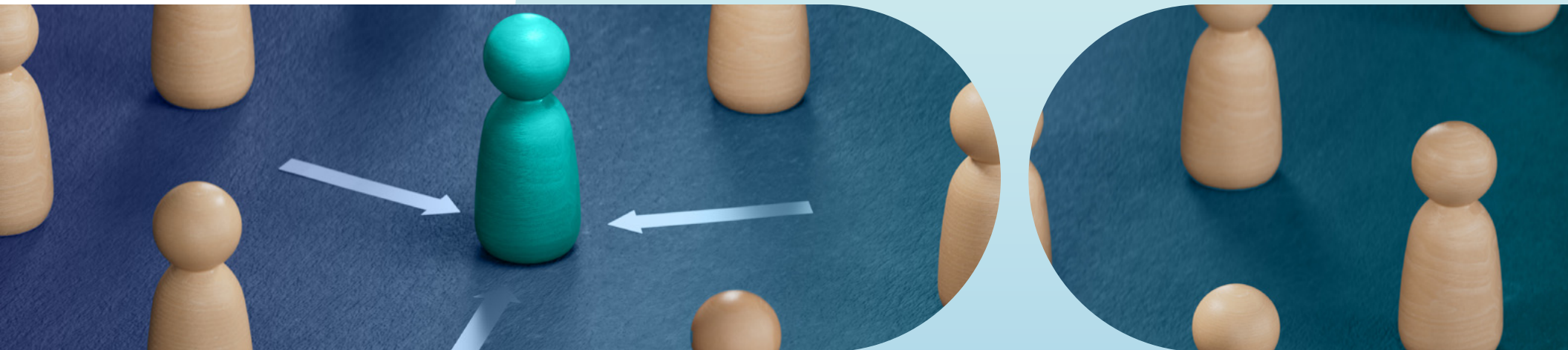


The Critical Role of Custodians in Wealth Management

**Ten Key Considerations for
Choosing the Right One**





In the complex world of trust and wealth management, the choice of custodian can be a critical element of success. Choosing the right custodian is crucial for maintaining compliance, operational efficiency, and client satisfaction.

This guide explores how custodians impact the trust and wealth management industry, the differences between custodial models, and the key factors to consider when selecting a custodial partner.



Understanding Custodial Relationships



Fully Disclosed Model



Omnibus Model



Ten Key Considerations for Choosing a Custodian



The Future of Custodial Services



Partnering for Long-Term Success



Understanding Custodial Relationships

As financial institutions, custodians are entrusted with safeguarding customer's securities, preventing them from being lost or stolen. Their expertise extends to a range of services, including account administration, transaction settlements, collection of dividends and interest payments, tax support, and foreign exchange management, providing a reassuring level of security and efficiency.

By ensuring that these financial assets are properly managed and secured, custodians play a vital role in the stability and efficiency of the financial markets. There are primarily two types of custodial relationships in the trust and wealth industry:

Each model offers distinct advantages and disadvantages, which are important to understand when selecting a custodian.



Fully Disclosed Model



Omnibus Model



Are you equipped to navigate the operational and compliance complexities that come with this level of transparency?



Fully Disclosed Model

In a fully disclosed model, the clearing firm opens separate trading accounts for each client, with each account tied to detailed personal information such as Personally Identifiable Information (PII), bank data, and trade history. This setup offers greater transparency and accountability but comes with increased operational complexity.

Key Benefits:

Separation of Roles: The introducing broker gathers and shares client data, while the clearing firm handles trade settlement, custody, and recordkeeping.

Individual Client Accounts: Each client has a unique account, with all transactions recorded and reported individually.

This model allows firms to enter the market quickly and efficiently by outsourcing critical back-office functions to the clearing firm. It also reduces the introducing broker's compliance burden.

While operational tasks are delegated, firms have limited control over trade execution or issue resolution. Regulatory requirements remain significant and may demand dedicated resources.





Are your internal systems equipped to manage the operational burden of an omnibus model?



Omnibus Model

The omnibus model offers greater flexibility by consolidating multiple customer accounts into a single master account maintained by the custodian for the wealth management firm, bank, or trust company. This setup enables firms to manage trades for multiple clients through one account while retaining internal control.

Key Benefits:

- One or more master accounts for all client assets
- Greater efficiency in trading and operations
- Internal record keeping is handled by the firm, bank, or trust company

This model provides enhanced privacy—client PII isn't shared with the custodian, as all interactions

go through the bank or trust company. It also enables wealth managers to tailor services, streamline operations, and introduce new revenue streams beyond traditional fees.

While offering flexibility and a personalized client experience, this model demands robust internal systems to manage sensitive data and maintain compliance. The burden of accurate recordkeeping and regulatory adherence falls entirely on the firm.



10 Ten Essential Factors for Selecting the Right Custodian

Selecting a custodian is a critical decision that can significantly impact the success of investment operations. Here are ten key considerations when seeking a new custodian.

Operational Factors:

- 1 **Fee Structure:** The first step is understanding the custodian's fee structure, including any costs that may not be immediately apparent.
- 2 **Process Automation:** Beyond software, operational efficiency also requires seamless process automation. A good custodian will have automated processes for reconciliation, asset transfers, and account openings, which can reduce the staff's manual workload and minimize errors.

- 3 **Software Integration:** Wealth management firms, banks, and trust companies should also understand if their custodian's accounting platforms and financial management systems can integrate with their own. Maintaining a smooth financial operation requires all the various software programs to be compatible and facilitate easy data exchange.



- 4 Technology Integration with Portfolio Management:** A custodian's platform must integrate seamlessly with your trust and portfolio management solutions. This integration will reduce manual data entry, enhance operational efficiency, and allow real-time access to client portfolios, streamlining trust and wealth management processes. Aligning your firm's technology with your custodian can improve decision-making, automate compliance tasks, and provide a comprehensive view of client holdings.
- 5 Cash:** Efficient cash movement is a critical part of daily operations, especially for firms that operate in a trust environment. Custodians handle cash differently depending on the account structure. Trustee-directed cash movement can be time-consuming in a fully disclosed setup, requiring separate tracking for every registered account. By contrast, an omnibus account structure allows cash activity to be bundled and processed

across multiple accounts, significantly reducing manual effort and accelerating settlement.

Risk factors:

- 6 Insurance:** Custodians must also carry sufficient insurance coverage. Wealth advisors, banks, trust companies, and their customers must be protected against theft, fraud, cyber-attacks, and operational errors.
- 7 Reputation Risk:** One mistake from your custodian can ruin your firm's credibility. It is important to feel confident that your custodian has strong internal controls, a solid reputation, and a proven track record in the industry.
- 8 Institutional Risk:** A custodian's size may introduce the risk of failure and potential institutional instability. Before making a selection, it's essential to evaluate a custodian's financial health and risk management practices.

Compliance and data factors:

- 9 Data Aggregation and Normalization:** As the complexity of the consumer and institutional financial worlds has ballooned, so too have the number of accounts of ordinary customers and their large counterparts. Effective data aggregation is essential for clients with accounts at multiple financial institutions. Custodians must be able to normalize and present data cohesively, providing a comprehensive view of the client's financial landscape.
- 10 Compliance:** A strict regulatory regime built over decades makes compliance critical to custodial services. Custodians must have robust compliance mechanisms to meet all regulatory requirements and safeguard operations.





How much time and resources could you save by integrating all your data under one platform?



The Future of Custodial Services

The convergence of trust companies and wealth management firms is reshaping how custodians support financial institutions.

Choosing a custodian is a crucial decision that can significantly impact your financial operations' efficiency, compliance, and overall success. Whether opting for a fully disclosed or omnibus model, understanding the nuances and implications of each custodial relationship is essential. By asking questions and considering factors such as fees, insurance protections, integration capabilities, and customer service, financial institutions can make informed decisions that best serve their needs and those of their clients.

As the financial landscape continues to evolve, with the increasing integration of technology and the convergence of trust companies and registered investment advisors, the role of custodians remains indispensable. With the move towards real-time reconciliation and the influence of new asset classes like cryptocurrencies, the future of custodial services is set to become even more dynamic. Financial institutions can safeguard their assets and enhance their operational capabilities and client service by choosing the right custodian.





Partnering for Long-Term Success

Choosing a custodian is about more than safekeeping—it's about selecting a partner that drives operational efficiency, ensures compliance, and supports long-term growth. A well-aligned custodian acts as an extension of your team, helping you scale, adapt, and deliver exceptional client service.

The team supporting SS&C's Black Diamond® Wealth Platform understands what's at stake. Integrated trust and wealth management technology connects front-office tools with powerful back-office data—streamlining workflows, eliminating manual entry, and reducing vendor complexity.

Black Diamond supports growth at every stage with:

- A unified client portal offering 24/7 access
- Straight-through trade processing and digital account opening

- Over 800 financial data center connections
- Automated statements, tax docs, and cost-basis syncing
- Flexible managed services and scalable outsourcing

Whether managing a single entity or many, Black Diamond delivers the control, flexibility, and infrastructure that wealth and trust companies need to optimize operations and elevate the client experience.





For more information



If you would like to learn how the SS&C Black Diamond Wealth Platform can support your unique business, [request a personal demo](#), call 1-800-727-0605, or email info@advent.com.

