

Starting over: Building a new back office

Since David Burnes joined Raymond James in June after leaving NBCN last year, the industry has been watching

By Clare O'Hara | Mid-October 2013

David Burnes, one of Canada's best known executives in the back-office sector, is now in the driver's seat at the back-office division of Toronto-based Raymond James Ltd.

Burnes' high-profile move in June 2013, following his long-time role as executive vice president of Montreal-based National Bank Correspondent Network (NBCN), puts Raymond James on the map in this competitive sector.

The appointment is also a new beginning for Burnes, who left NBCN in 2012, just before it hired former ***TD Waterhouse Institutional Services*** (TDWIS) executive Patrick Primerano.

Also an industry veteran, Primerano is now overseeing the integration process that followed NBCN's September 2013 purchase of TDWIS. As a result of that purchase, NBCN dominates 75%-80% of the Canadian market for clearing and correspondent services - the increasingly common terms for back-office activities.

This game of musical chairs has been closely watched in the sector, where connections and deep experience can be vital when it comes to attracting and keeping clients. With various competitors offering correspondent services that range from trading completion to research to compliance, as well as distinct technical platforms, the art of building a presence in this business is complex. Then, of course, there is the consolidation trend.

But Burnes, whose title is senior vice president, correspondent services, believes that even NBCN's bulking up holds opportunities for Raymond James. "I think I am very fortunate to be re-entering the business with the consolidation that has just gone on," Burnes says, "because people need choice. And not everyone wants to be with a major bank." NBCN, Burnes adds, is a "formidable competitor with a very good platform, that I worked on for 23 years. But it doesn't suit everyone."

Burnes also notes that NBCN needs time to swallow, and that distraction could be a good thing for Raymond James: "I think the bank has a lot on their hands in consolidating the TD business, and that creates distortion - and clients don't like disruption."

So, while the back-office services world may be turbulent at the moment, that suits Burnes. "I'm like a little kid in a candy store," he says. "I'm having a lot of fun right now, planning and building a business that I know I will one day be proud to look back on."

There are only a handful of players in the space. In addition to NBCN, other competitors include ***Fidelity Clearing Canada, Pinnacle Correspondent Services*** (both based in Toronto) and

Credential Correspondent Partners in Vancouver. There are also only a limited number of clients to go around.

But Burnes hasn't wasted any time getting down to business. He spent the summer travelling across Canada, meeting with potential clients, getting the word out about Raymond James' new offerings in this sector, which includes custodial and clearing services for two major client streams: portfolio managers and securities dealers licensed with the **Investment Industry Regulatory Organization of Canada** (IIROC).

Raymond James, as an independent brokerage with a large network and long history in the U.S., offers services that extend beyond basic custodial and clearing needs. These include equities research, a fixed-income desk, managed-account products, compliance tools, accounting and payroll services, and new-issue administration.

When it comes to portfolio managers, Burnes says, attracting these firms can be tough because many of the high net worth clients of this group gravitate toward the familiar presence of a major bank.

"If you are a portfolio manager having a discussion with your client, sometimes they want to hear that four-letter word, B-A-N-K, to make them feel comfortable," says Burnes. "But Raymond James has a huge U.S. parent and has always been very patient and conservative. In the clearing business, those are the kind of words you want to hear."

What Raymond James can also offer, Burnes says, is a customized approach. "It is a brokerage culture, and it is small enough that you can get people to respond pretty quickly," he says. "They are driven to supply a high level of service and they are rewarded on this [basis]."

At the same time, he adds, it's easier to see how that service is being received by clients: "The nice thing about the clearing business is that you find out pretty quickly whether you walk the walk in terms of service because your customers can get up and walk at anytime."

In an industry that has a limited number of players, Burnes is a well-known face. Trained in economics, he began his career in 1987 at the former Toronto Stock Exchange as a financial examiner. That gave him insight, he says, into the regulatory and registration process.

Says Peter Kahnert, senior vice president, corporate communications, for Raymond James: "There are not too many people in Canada who have the breadth of experience, knowledge and relationships in this industry. David provided a great opportunity to bring a key driver in the industry on board."

Technology is also crucial in keeping clients happy. And not all platforms are created alike. Burnes' old firm, NBCN, uses an IBM Corp. platform. But Raymond James' clearing business uses Dataphile, the system developed by New York-based Broadridge Financial Solutions Inc. Despite Burnes' history with the IBM system, he is a fan of Dataphile. "In my entire 20 years in the business selling the IBM platform," he says, "I never converted anyone from the Dataphile platform. I certainly tried, but never succeeded - although many customers went from IBM to Dataphile."

Raymond James currently serves four portfolio-management firms that were retained by Raymond James when its U.S. parent purchased Goepel McDermid Inc. in 2000. They account for \$2.5 billion in custodial assets under administration (AUA). Burnes aims to increase that to six portfolio-management firms. He is also hoping to add two IIROC-member securities dealers.

Burnes' main targets are firms that supply wealth-management services rather than institutional boutiques. To attract them, Raymond James has been increasing the flexibility of its services, Burnes says: "We have been spending a lot of time retooling for the correspondence business, which is all about the ability to customize the platform."

Burnes is known in the industry for helping build one of the largest clearing and custody networks to date in Canada. Along with David Wood, founder of Correspondent Network, a division of the former First Marathon Securities Ltd. in Toronto, Burnes began developing one of the first correspondent clearing services in Canada in 1990. Together, they built the network to 30 clients with \$16.5 billion in AUA. Those relationships continued at NBCN after its parent bank bought First Marathon in 1999. Burnes eventually built the firm's back-office business to a peak of \$66 billion in AUA.

Burnes plans to bring the same emphasis on growth to his new role. This time around, he will be using a different strategy, in which clients see the advantages of using an independent broker with the capacity to customize a wide range of services.

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