

For Immediate Release:

Riding Wave of BD Conversions, Strong Market, TPMs Grew Revenue from Financial Institutions 30% in 2021

CHAPEL HILL, NC JUNE 1, 2022: The third-party broker dealers that support investment services in banks and credit unions grew revenue from those institutions by nearly 30% last year, according to a new report from Kehrer Bielan Research & Consulting. The report attributes the third-party BDs' strong year primarily to market appreciation of assets under management, as well as the move by two large banks to convert their broker dealer functions to third parties during the year, which added a significant amount of revenue and assets to the third-party channel.

“Competitive and regulatory pressures are pushing financial institutions to reconsider how they structure the delivery of wealth management services,” commented Tim Kehrer, author of the 2021/2022 TPM Report. “For banks that own an affiliate broker dealer, outsourcing those functions to a third party may be an attractive option that allows the bank to tap the technology spend of the larger BD, and minimizes regulatory risk to the bank.”

Controlling for the influx of revenue resulting from the two conversions, the typical financial institution working with a third-party broker dealer, colloquially known as “TPMs,” still enjoyed a strong year, growing investment services revenue by 24.1%. Advisor headcount lagged revenue growth by a significant margin, growing 3.3% during the year. The report notes that banks and credit unions that work with third-party BDs outperformed their counterparts with affiliate BDs in both measures: the typical bank-owned BD grew revenue 14.8% in 2021, while losing 0.1% of its advisors.

“The industry appears to have entered another period favorable to BD conversions,” said Kehrer, “With one more bank-BD shutdown already in the pipeline, and considering our findings that institutions that work with third-party BDs are growing the business faster than the bank-affiliated BDs, it is difficult to imagine the current trend losing steam anytime soon.”

The [2021/2022 TPM Report](#) covers eight of the largest third-party broker dealers that collectively support 6,522 financial advisors in 2,286 financial institutions. For more information email tim.kehrer@kehrerbielan.com.

About Kehrer Bielan Research & Consulting. KBR&C provides the financial advice industry with insights based on a melding of research and experience in managing the delivery of investment, insurance, and wealth management services. The firm provides performance assessment and benchmarking, human resource management and development, due diligence, consumer insights, and interpretation of industry trends through its original research, unbiased consulting, and peer study groups.

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