Richardson Wealth partners with Fidelity Clearing to boost growth plans in ‘game changer’ pact

CLARE O’HARA
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Independent wealth manager Richardson Wealth Ltd. has entered into a strategic partnership with Fidelity Clearing Canada ULC in a bid to free up capital and push ahead with plans to triple its assets under management over the next five years.

The agreement with Fidelity Clearing Canada, announced Thursday, is for custody, clearing and trade settlement services. But Richardson Wealth – a subsidiary of RF Capital Group Inc. which manages more than $34-billion in assets – will also gain access to a more advanced technology platform, with digital capabilities for advisers, which will help accelerate the company’s ambitious growth plans, said Richardson Wealth chief executive Kish Kapoor, who is also the CEO of the parent company.

“This is a game changer for us. In order for us to get to $100-billion in assets, we need to have someone who can keep up with the pace of change that is happening in the industry right now around digital capabilities,” Mr. Kapoor said in an interview with The Globe and Mail.

“For our shareholders, this allows us to achieve cost savings by leveraging Fidelity Clearing Canada’s scale, and it moves our business to a more variable cost structure. … We are also reducing the need for significant future technology investments and will be able to free up that capital to accelerate our organic growth and adviser recruiting,” he said, adding that upgrading the company’s technology and back office capabilities could have taken five to 10 years to build in house.

Upon regulatory approval, Richardson expects to move over to Fidelity’s platform by next fall. Its clearing services are currently provided by RF Securities Clearing, another subsidiary of RF Capital.

This is not the first partnership the wealth manager has announced since selling off its capital markets business in 2019. In June, 2020, it aligned itself with investment bank Cormark Securities Inc. and earlier this year entered into an agreement with Envestnet to provide a unified managed account platform for its advisers.

Fidelity Clearing Canada provides services to more than 100 investment companies in Canada. Together with parent company Fidelity Investments Canada ULC, it represents more than $222-billion in assets under administration and management as of June 30.

The partnership with Richardson Wealth will more than double Fidelity Clearing Canada's individual assets, president Scott MacKenzie said.

"We began building a digital platform over five years ago, and while I wish I had a crystal ball to see where we would be today, we were already looking at ways we could make life easier for advisers, such as removing paper and opening new accounts in a seamless digital fashion," Mr. MacKenzie said in an interview.

"We were actually just building against a vision that we saw evolving in the U.S. and one we have seen through our global partners in Europe. Clearly everybody, at the start of COVID-19, or even through the last year, has talked about needing to digitize. But we were already there and we were already delivering the capability."

Richardson Wealth is one of Canada's largest independent wealth managers, with 160 investment advisers. But over the past three years, it has undergone a tumultuous restructuring plan that began with GMP Capital – which was renamed RF Capital Group Inc. – selling off its capital markets division in 2019. The company then had to purchase the 67-per-cent stake of Richardson GMP, the wealth management arm, that it did not already own – a proposal that was tweaked several times owing to the economic chaos of the pandemic and a last-minute shareholder revolt over the proposed share price. The dispute ended in October when a majority of shareholders voted in favour of the acquisition.

In May, Mr. Kapoor unveiled the company's new strategy, which included increasing both the company's assets and the number of investment advisers. He said that, while he would consider acquisitions of both asset managers and financial advisory firms, using capital for a larger acquisition is unlikely to occur until the end of 2022.

"We are focused on both organic growth and recruiting," he said. "But as great opportunities present themselves, we're not even having to reach out – there's more people coming to us."

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