



BD and RIA Classification Guide



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WHAT ARE RETAIL BD FIRMS?

Discovery Data classifies as retail all firms we determine are serving individual investors. As of January 31, 2020, Discovery Data includes 1,189 retail BD firms.



CHANNEL

BANK

These firms have retail advisors located in or covering bank branches.

BOUTIQUE

These firms are smaller or departments of larger firms that provide specialized services for a segment of the market, which in most cases is serving ultra-high-net-worth investors in a private banking model.

DISCOUNTER

These firms provide trading platforms, online investment programs and call center support to do-it-yourself investors.

INDEPENDENT

These firms typically have advisors associated that are independent contractors rather than employees and are required to handle all their own local practice functions, such as staffing, facilities and technology. Some independent firms do as little as “holding” the rep’s licenses and conducting compliance oversight, while others will do much more, such as providing a full suite of products and services and assisting with training and marketing. The label “independent” refers to the rep’s independence.

INSURANCE

These firms have a primary emphasis on the sale of insurance products. Note: Many firms owned by insurance companies are categorized as independent rather than insurance because they were independent firms acquired by insurance companies or developed with an independent approach/structure, rather than an insurance focus.

TRADITIONAL

These firms have employee advisors and a primary focus on investing for all market segments. Examples are Edward Jones, Stifel and Janney Montgomery.

WEALTH MANAGEMENT

These firms provide comprehensive planning, advisory and investment management coverage to individual investors, including financial planning, asset allocation modeling, total portfolio management, insurance, liabilities, etc.

WIREHOUSE

There are currently four wirehouses: Merrill Lynch, Morgan Stanley, UBS Financial and Wells Fargo Advisors.



FOOTPRINT

NATIONAL

These firms have substantial office and advisor coverage across the U.S. Firms traditionally thought of as regional, such as Edward Jones (17,000 advisors in all 50 states) and Stifel, Nicolaus (2,600 advisors in 382 offices in 46 states) actually have a national footprint.

REGIONAL

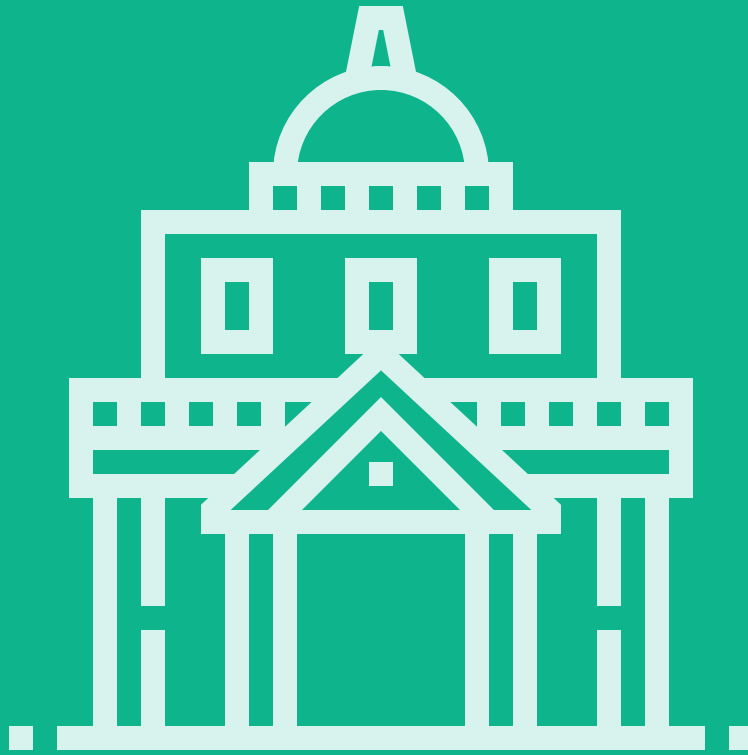
These firms have significant office and advisor coverage across a large enough number of states to constitute regional coverage. For example, a firm that has a substantial footprint across the entire Midwest region, such as offices in Chicago, Minneapolis, St. Louis, Detroit, Milwaukee, Indianapolis, Columbus, Louisville, Cincinnati and Cleveland.

MULTI-STATE

These firms are in multiple states, but do not have large enough or concentrated enough coverage to amount to a regional footprint.

LOCAL

These firms are located in one or no more than a few offices in one state or in close proximity.



WHAT ARE INSTITUTIONAL BD FIRMS?

Discovery Data classifies as institutional all firms we determine are serving institutional or investor entities. Investment banks and clearing firms are examples of institutional firms. As of January 31, 2020, Discovery Data includes 2,796 institutional BD firms.



CHANNEL

ANNUITY DISTRIBUTOR

These firms are distributors of annuity products.

CLEARING & TRADE EXECUTION

These firms provide the institutional investing community with a variety of services including trade processing, foreign exchange, counterparty clearing, collateral management, market making and more.

CLEARING FIRM

These firms are registered as a member of The Depository Trust & Clearing Corporation (DTCC) and one of its clearing subsidiaries.

CORPORATE FINANCE

These firms provide financing vehicles and services to corporations.

FUND DISTRIBUTOR

These firms are distributors for investment companies.

INSTITUTIONAL CONSULTING

These firms provide consulting services to institutional retirement plan sponsors and the institutional investing sector including large investment portfolios at corporations, governments, charities and universities.

INVESTMENT BANKING

These firms provide investment banking (corporate advisory).

OTHER

These firms cannot be placed in one of the listed BD channel types.

PLACEMENT AGENT

These firms facilitate the placement of private investment offerings.

PRIME BROKERAGE

These firms provide a bundled package of services or master account structure typically including global custody, securities lending, financing, technology and operational support. This service is typically employed by money management firms and most often hedge funds.

PUBLIC FINANCE

These firms provide financing vehicles and services to government entities.

RESEARCH

These firms are originators of investment research content.



SALES & TRADING

These firms provide the institutional investing community services which typically include access to financial products and inventory, industry specific market and security commentary, trading expertise and trade management, and corporate executive access in the way of events and calls.

TECHNOLOGY PLATFORM PROVIDER

These firms provide technology services.



WHAT ARE RIA FIRMS?

An RIA is a financial firm that advises individuals and/or entities on investments and manages their portfolio. As of January 31, 2020, Discovery Data includes 36,638 RIA firms.



CHANNEL

ADVISER TO INDIVIDUAL INVESTORS

Advisers to individual investors or high-net-worth investors. This field matches RIA type: Retail RIA.

ADVISER TO INVESTMENT COMPANIES

Advisers to Investment Company Act of 1940 funds or other pooled investment vehicles, such as business development companies.

ADVISER TO PRIVATE EQUITY FUNDS

Advisers to private equity funds totaling \$150 million or more must register with the Securities Exchange Commission (SEC), which defines “private equity fund” as any private fund that is not a hedge fund, liquidity fund, real estate fund, securitized asset fund or venture capital fund and does not provide investors with redemption rights in the ordinary course.

ADVISER TO PRIVATE FUNDS (E.G. HEDGE FUNDS)

Advisers to private funds totaling \$150 million or more must register with the SEC. Advisers to private funds, most often hedge funds, are those advising a fund that qualifies for exclusion as defined under section 3 of the Investment Company Act of 1940.

ADVISER TO VENTURE CAPITAL FUNDS

The SEC defines a venture capital fund as a private fund that: (i) holds no more than 20% of the fund’s capital commitments in non-qualifying investments; (ii) does not borrow; (iii) does not offer its investors redemption rights except in extraordinary circumstances; (iv) represents itself as pursuing a venture capital strategy; and (v) is not registered under the Investment Company Act and has not elected to be treated as a business development company (BDC). Under the Dodd Frank Act, advisers to venture capital funds are exempt from reporting and are only required to complete limited sections of Form ADV. These firms are categorized in Discovery Data as both Adviser to Venture Capital Funds and Exempt Reporting Adviser. Some firms are required to register as investment advisers under other rules, such as Adviser to Investment Companies, and through our research we also categorize them as Adviser to Venture Capital Fund.

AGENT/ADVISER TO PRIVATE PLACEMENTS

Advisers who invest client assets in securities exempt from registering under Regulation D of the Securities Act of 1933.



AGGREGATOR

These firms are aggregators acquiring ownership of advisory practices and registered entities, such as independent RIA firms. For example, Focus Financial, Mercer Advisors and Snowden.

BANK SEPARATE INVESTMENT DIVISION (SID)

Advisers who are divisions of a bank and typically operate under a legal entity of the bank.

CORPORATE PLATFORM

These firms are the RIA component of a larger corporate entity providing a platform to retail advisors who are associated with the firm as reps. For example, Morgan Stanley, Raymond James, Securities America and LPL Financial. In most cases these are dually registered BD-RIA firms or affiliates of BDs that we have tagged as wirehouse, traditional, independent, insurance or bank channel firms.

EXCLUSIVELY FINANCIAL PLANNER

Advisers who solely provide financial planning services for a fee and do not receive compensation for investment advice or management.

EXEMPT REPORTING ADVISER (ERA)

Advisers who are exempt from reporting Under the Dodd Frank Act, in most cases because they are an adviser to private funds (e.g. hedge funds and private equity funds) and have less than \$150 million under management, or an adviser to venture capital funds (no asset stipulation). However, these advisers are required to complete limited sections of Form ADV, and so we are able to include them in Discovery Data.

FAMILY OFFICE SERVICES

Advisers who have indicated in their Form ADV Part 2 brochure or on their website that they offer family office services.

FINANCIAL PLANNER

Advisers who have indicated that they provide financial planning services. This may have been indicated in one or more of the following: Form ADV Part 1 Item 5.G. or 5.H., Part 2 Item 4.B., or on their website.



INSTITUTIONAL

These firms have indicated in their Form ADV Part 1 that they have any of the following client types or assets: Banking or Thrift Institutions, Business Development Companies, Charitable Organizations, Insurance Companies, Investment Companies, State or Municipal Government Entities, Other Investment Advisers or Pooled Investment Vehicles. The firm can also be categorized as institutional if it describes itself as adviser to any of the following: Investment Companies, Private Equity Funds, Private Funds, Venture Capital Funds, Municipal Advisor or Rating Organization, or are an exempt reporting adviser or wrap fee sponsor or adviser. Finally, a firm can be categorized as institutional if it describes itself as working with institutional investors in its Form ADV Part 2 brochure or it is indicated in Form ADV Part 1 Item 5.G.(5) that it provides Portfolio Management for Businesses (other than small businesses) or institutional clients (other than registered investment companies and other pooled investment vehicles).

INTERNET INVESTMENT ADVISER

Advisers who have indicated in Form ADV Part 1 Item 2.A.(11) that they are an Internet Adviser.

MUNICIPAL ADVISOR

Advisers who have submitted SEC Form MA-T indicating they are a municipal advisor, and/or indicated in Form ADV Part 1 Item 5.D.(1)(I) or Part 2 Item 7 that they have municipalities as clients, or indicated in Item 6.A.(9) that they are actively engaged as a registered municipal advisor as other business activities. These advisers provide advice and/or service to municipal entities with respect to municipal financial products or the issuance of municipal securities.

RATING ORGANIZATION

Advisers who have indicated in Form ADV Part 1 Item 5.G.(9) that they provide security ratings advisory activities.

RESEARCH FIRM

Advisers who have indicated in their Form ADV Part 2 brochure or on their website that part of their advisory business is to provide research.

RETAIL

These firms have at least one individual investor or high-net-worth investor as a client or describe themselves as an adviser to individual investors, a financial planner or a firm offering family office services.



RETIREMENT PLAN CONSULTANT

Advisers who have indicated in Form ADV Part 1 Item 2.A.(7) that they are a pension consultant, or in Item 5.D.(1)(g) that they have retirement plan clients, or in Item 5.G.(6) that they provide pension consulting services, or indicated in Form ADV Part 2.A. Item 4 that they provide plan consulting as a service, or in Item 7 that they have retirement plan clients.

SOLICITOR

Adviser's sole activity is providing soliciting services for which compensation may be received and has registered to comply with Rule 206(4)-3 of the Investment Advisers Act of 1940.

SUPER OSJ

These firms have many offices with a large number of associated reps, many of which are also associated with an independent BD firm.

TAMP

These firms are a Turnkey Asset Management Program (TAMP). A program can truly label itself turnkey only if it combines investor profiling, asset allocation models, investment policy statements, account setup, transfer processing, investment vehicle recommendations matching the asset allocation modeling, portfolio structuring, trade processing, periodic rebalancing, account statements, performance reporting and deposit and distribution management. In order to be considered turnkey, the program must run on autopilot after setup unless the investor and advisor make a change, such as to the investment policy statement. Lastly, the TAMP can bring it all together and really make it powerful by providing comprehensive marketing services to help the advisor tell the story, especially if that includes private labeling.

WRAP FREE PROGRAM – ADVISER

These firms have indicated in Form ADV Part 1 Item 5.I.(2)(b) that they are a portfolio manager in a wrap fee program.

WRAP FREE PROGRAM – SPONSOR

These firms have indicated in Form ADV Part 1 Item 5.I.(2)(a) that they are the sponsor of a wrap fee program.



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