

What's Driving Broker-Dealers to Change Clearing Firms in the Middle of a Pandemic?

2020 has been a tumultuous year, to say the least. A global pandemic led to [unemployment levels](#) that haven't been seen [since the 1940s](#). While we see signs of economic recovery, these issues still contribute to a sense of instability in the financial world.

Clearing firms provide stability and security to their correspondents. Their purposes are to help transactions complete smoothly and protect the vendor and purchaser in a deal. Working with the right clearing firm becomes even more critical during volatile times.

Let's explore some of the current challenges that could be increasing instability for Independent Broker-Dealers (IBDs) and Registered Investment Advisors (RIAs).

COVID-19

The events of 2020, including the global COVID-19 pandemic, have increased market volatility and volume trading records. According to [research from the Kellogg School of Management at Northwestern University](#), the market volatility levels in Spring 2020 rivaled or surpassed those seen in October 1987, December 2008, October 1929, and the 1930s.

Despite all the activity, the financial markets never faltered. Transactions were cleared and settled as usual – buyers received their securities, and sellers were paid on time. According to the [World Economic Forum](#), clearing and custodial firms were critical to this financial stability.

The Race to Zero Fees

Large financial services firms have slashed their clients' fees, driving the rest of the industry to do the same. While larger firms have the scale to cut fees and remain profitable, some smaller firms that rely on commissions for the bulk of their revenues are feeling the squeeze. They also don't always have the assets under management that help generate revenue for larger firms.

How the Right Clearing Firm Can Help

Firms are changing their clearing providers to achieve better stability. They're looking for partners who can offer longevity – a clearing firm that can withstand the financial markets' ups and downs. They also want to partner with a clearing firm that provides more than just clearing transactions and exceptional service.

The right partner can help you create efficiencies and provide the tools that can help you enhance your client service offering.

James StClair, President of ViewTrade Securities, Inc., comments:

"Providing flexibility and choice are core tenets of our business model. Giving our B2B clients which include broker-dealers and registered investment advisors (RIAs) the ability to choose among highly-regarded clearing providers is powerful."

ViewTrade Securities, Inc. provides technology, information, and brokerage solutions for banks and brokerage firms worldwide.

When a broker-dealer firm changes clearing firms, some of the characteristics they're looking for include:

Longevity

Clearing firms that have been around for years demonstrate the ability to smoothly navigate the peaks and troughs of the market. For example, Axos Clearing has been providing clearing services and more for over 18 years. We've survived plenty of market fluctuations and are going strong.

Like many of the correspondent firms we serve, we have adapted with the times, adding services and partners to continue to meet our clients' unique needs.

Technology

Technology and automation help create efficiencies that can save broker-dealers time and money. From digitizing on-boarding processes to highly-compatible APIs ([application program interfaces](#)), technology streamlines processes and communication, creating a seamless and efficient experience at every interaction.

Talented and Experienced People

The Axos Clearing team includes exceptional people at every level, including some of the most seasoned and historically successful senior managers in our business. Our team has comprehensive, well-rounded experience that allows us to understand and anticipate your needs. This culminates in personalized attention and outstanding products and services.

A Personal Touch

No one wants to feel like a number. Many broker-dealer firms are looking for a clearing firm that offers a more personal touch. They consider clearing firms that provide white-glove service and C-suite accessibility.

Axos Clearing is committed to meeting the needs of our correspondent firms. We value feedback and host roundtable discussions to ask targeted questions. We identify what our correspondent firms need and then work toward delivery.

We have seen many transitions and changes for IBDs and RIAs. Our suite of services is designed to provide the tools our correspondent firms need to create efficiencies and grow. Discover more about [what we do](#) or [contact us](#) today.