

## Broker Dealer Due Diligence and Selection Service



Stathis Partners has an established, utilized, and proven process for conducting due diligence and selection of a third-party broker dealer partner. We utilize a **multi-step team-based approach** that engages executive management in an efficient, documented, and rigorous interactive decision-making process.

The steps utilized include a pre-screening **five-year projection proforma exercise** for the broker dealers, a **customized RFP document**, a Critical Decision Factor **Assessment Grid** that utilizes a weighting and scoring system, and a fully documented final **Board-level Decision Presentation**.

### Process Details

The following is an overview of a typical process. These steps may be altered to accommodate the unique situation of any given financial institution, especially differences between a startup program and an existing program looking to conduct due diligence on a current broker dealer.

1. Needs Assessment with executive team - Discovery meeting to conduct full review of current situation, comprehensive needs, cultural considerations, operational assessment, and primary drivers of decision-making process. Core components and needs for creation of RFP are also discussed.
2. Decide on BDs to be considered – Based on what is discovered and documented during the Needs Assessment, a list of broker dealers is discussed for inclusion in RFP process.
3. Creation of project plan timeline – An itemized project plan is created with targeted delivery dates for each task/item.
4. Conduct pre-screening five-year projection proforma exercise with BDs – All BDs under consideration are asked to provide a five-year program growth projection based on baseline information provided. This affords good insight into how realistic their growth assumptions are, their proposed staffing models, projected product mix, and how attuned they are in supporting program growth.
5. Finalize and distribute RFP to BDs – Iterative process is used to arrive at final version of RFP to be used for suitability assessment. RFP will include quantitative analysis and qualitative analysis of sales support, operational support, technology platforms, value-added services, etc.
6. Submission review - All submissions are reviewed, assessed, and highlighted for transfer of key information into Assessment Grid (see below).
7. Conversion impact assessment – Assuming institution currently has an investment program, the impact of conversion to a new BD will be reviewed. Conversion cost and subsidies by BDs to cover conversion costs and lost revenue during conversion will be assessed.
8. Load RFP results into Assessment Grid - A summary side by side grid is created which allows efficient comparison of key decision factors based on RFP response data. The Assessment Grid includes a rating, weighting, and scoring scheme.

9. Use Assessment Grid to score and weight 50+ Critical Decision Factors – Once initial rating and weighting of each factor is loaded into Assessment Grid the joint project team conducts a session to review, tweak, and agree on final scoring of the BDs.
10. Establish short-list of BDs – A short list of BDs is created for final decision phase.
11. Due diligence presentations and reference checking on short-list – A deeper dive into short-list candidates is conducted via home office or on-site visits and subsequent reference checking.
12. Final recommendation – Project team agrees on final recommendation based on available data.
13. Executive team presentation – An executive presentation is produced for the purposes of reviewing the due diligence process, key selection factors, Assessment Grid scoring, and presenting the final recommendation to the executive committee of the institution.

If you are considering conducting a third-party broker dealer due diligence and selection process, please call us to discuss how we can provide significant value.

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