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RESEARCH · 09 | OPERATIONS

Custodian integration: what changes between a retail account and an RIA platform

A retail brokerage connection sees one investor's account at a time. An RIA custodial connection sees the whole practice every morning. Here is what that difference means for rebalancing, harvesting and trade checks.

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"We integrate with your custodian" can mean two very different things. Some tools connect to a retail brokerage account, the way an investor's budgeting app does. Others connect to the custodian's advisor platform, where an RIA holds all of its clients' accounts. We built AdvisorXLS on the second kind, and this is why the difference matters to your practice.

Two ways in

	RETAIL BROKERAGE CONNECTION	RIA CUSTODIAL CONNECTION
Who authorizes it	Each investor, with their own login	The advisor, once, for the practice
What it sees	One investor's accounts	Every account linked to the advisor's master account
How data arrives	On request, account by account	A full daily file set, before the market opens
Cost basis	Often only what statements show	Lot-level cost basis files
Trading	One order at a time, in each account	Block and model trading through the custodian's advisor channels
Upkeep	Logins expire and each client must sign in again	One authorization that stays in place

A retail connection works for one person managing their own money. For a practice with hundreds of accounts, asking every client to keep a login alive is not workable. Missed logins also mean missed accounts.

What an RIA connection gives you

Advisor custodians usually offer several levels of integration:

- **Daily data files.** Accounts, positions and balances, securities, and transactions for every linked account. The advisor signs an authorization for a third party to receive them.
- **Single sign-on** between the custodian's site and the advisor's tools.
- **An API**, which needs the custodian's due diligence, a contract and an approval.
- **Trading**, through an approved order-routing network, file transfer or an API.

The daily files are the fastest way in, and they cover most of what a practice needs. They arrive early each business day, so the morning work can start before the open.

The files are not as simple as they look

Daily files are long, fixed layouts. A few details decide whether the numbers you see are right:

- **Cash is a separate record.** If a tool reads only the positions, every account shows no cash.
- **Cancelled trades stay in the file,** marked with a cancel code. A tool that ignores the code counts trades that never happened.
- **Layouts change.** Custodians add fields without notice and retire old files on a schedule. A tool must read fields by position and must not expect a fixed number of columns.

Ask any vendor how it handles each of these. The answers tell you a lot about the numbers you will rely on.

What we do with the files each morning

When the files arrive, AdvisorXLS reads them and sends you three emails before the market opens:

- **Account status.** Only the accounts you brought into AdvisorXLS, with new accounts flagged. The value, cash and activity of each account are compared with the day before.
- **Rebalancing.** For each account set to rebalance automatically, the model, the trades suggested and why, and the trades that were actually made.
- **Harvesting.** The same view for accounts set to harvest losses automatically, with totals of buys and sells.

Each check compares what we proposed with what the custodian shows as traded. It also checks for wash sales across the client's linked accounts. Each account is labeled with its custodian, because the same emails will cover more custodians.

Rebalancing that follows the custodian's data

Because the positions come from the custodian each day, rebalancing starts from what the account really holds. You choose when an account rebalances: when it drifts from the model, when the model publishes a new version, or either. An account that is already behind rebalances on the next run. If a model moves two versions

ahead, the account rebalances once, to the newest version.

Questions to ask about any integration

- Does it connect at the advisor level, or does each client have to log in?
- Does it read cash and cancelled trades correctly?
- Does it keep working when the custodian changes a file layout?
- Does it check each morning what was proposed against what was traded?
- Does it check wash sales across a client's linked accounts?

Important information. This article is for financial professionals and is for information only. It is not investment, tax or legal advice, and it is not an offer of any security or service. Integration options, file formats and approval steps differ between custodians and change over time. Custodian names are trademarks of their owners.

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