

Developing a Securities-Based Lending Transformation Strategy

3 Steps to Making Optimal Technology Investment Decisions

Leading financial institutions have recognized the importance of securities-based lending (SBL) to their wealth management business, with market conditions in recent years leading to increasing numbers of investors taking advantage of SBL as an attractive liquidity option. For example, last quarter Morgan Stanley approached \$76 billion in their tailored and SBL portfolio, a 43%* increase from the prior year and more than doubling their volume in five years**. Other firms grew far less. The problem stalling SBL growth, except at a few leading firms, is that institutions rely on manual SBL processes that limit their ability to scale and serve a broader segment of their investors.

Business as Usual is no Longer an Option for SBL Lenders

Without a streamlined, digital technology platform, wealth management firms cannot meet the growing demand for SBL and risk losing investors, their assets, and advisors to competitors with

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a state-of-the-art solution. Scale requires an SBL platform that is fast and easy to use for investors and advisors, efficient and semi-automated for underwriting and

servicing teams, and powerful and timely for risk professionals. A modern SBL platform is required to accomplish digital transformation; legacy technology—or no technology—is no longer an option.

For business and technology leaders looking at options to transform and grow your SBL business, we recommend the following steps to help you make the best choice for your institution.

#1 Decide to Buy vs. Build In-House

There are many benefits to buying or ‘licensing’ a ready-made SBL solution from an experienced vendor versus relying on your firms’ IT resources. For consideration:

- Can your in-house personnel meet the complex requirements and user needs to build an SBL platform?
- Do you have resources available to build, update, and maintain SBL technology?

Building an SBL solution in-house has cost implications, as it can be an expensive undertaking with project phases that span years. With numerous priorities competing for technology at your institution, wealth management leaders need to question if resources will be there for later project phases.

Another factor is how much time it would take to do the R&D required to build a solution tailored for SBL. SBL is a unique credit product that differs from traditional lending

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products in many ways. SBL extends securities-based lines of credit (SBLOC) that use an investor's non-retirement assets as collateral. SBLOCs use a vast array of assets as collateral that move with the market. Institutions that attempted to take a shortcut and adapt technology from other types of loans have realized this does not work because SBLOCs and their processes are unique.

As a result, many institutions have failed to build a digital SBL platform after years of trying. Deciding to work with a vendor like Supernova on a ready-made SBL solution grounded in experience and expertise will result in:

- Speed to market as integration with Supernova's technology can take as little as 3-6 months.
- A modular platform so that your institution could start with one loan function to address an immediate pain point and then scale and implement the end-to-end platform over time.
- A solution that continues to evolve and incorporate new features and functionality. Supernova has conducted years of R&D and is committed to staying ahead as the industry leader.

If you determine that you don't have the budget or skills to build SBL technology in-house, use the following questions when evaluating vendor solutions.

#2 Evaluate the Vendor's Track Record and Technology's Performance

Because it is so unique, you will want to select a vendor with expertise in SBL and a proven track record of success. Wealth management leaders know that the critical factor for SBL results is private banker and advisor adoption. If advisors are not comfortable with the loan platform because it is not easy to use or does not provide transparency, they will not actively offer SBLOCs to their investors. Choosing a solution like Supernova's ensures a streamlined SBL process that gives a great user experience, providing transparency for all. Supernova's clients have seen remarkable success accelerating SBL business growth and reducing operations costs. Consider in June 2020 – June 2021 across Supernova's platform, we saw remarkable results*** with:

- Over 100% increase in SBLOCs
- 127% increase in commitments
- 160% increase in balances
- 80% increase in weekly draws

The technology must also perform at an enterprise-grade level so that it can scale with your business and meets technical availability and security standards. As important, the solution needs to be configurable and integrate with your institution's existing technology stack. Supernova's solution checks all of these boxes, plus Supernova is dedicated to continuously enhancing our solution's functionality so that our platform is flexible and evolves as business needs change.

#3 Assess the Level of Partnership and Service

Supernova understands that when you buy an SBL solution, you are not only looking for a vendor but also a partner in your SBL business' success. Be sure to evaluate the technology provider's

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service and support model and make sure it fits your organizations' needs. Ask what level of guidance is offered, not just for system training, but sharing advisor education and

marketing best practices. Supernova works with our clients on a winning go-to-market playbook tailored to their organization's structure and SBL experience. We know platform adoption is critical for a strong ROI on technology investments. Supernova understands that our dedication to our client's success is a key driver that has led to their accelerated SBL growth and cost savings. We firmly believe that the strength of our partnerships is why all of our clients remain Supernova clients to this day.

Don't Wait to Satisfy Your Investors, Advisors, and Shareholders with a State-of-the-Art SBL Solution

Agility and speed to market are critical for a firm's success and institutions cannot lose sight of what matters most when making IT investment decisions. With increased expectations for digital transformation, more and more financial institutions are shifting from 'build it ourselves' to 'partner with a fintech expert' for their SBL platform.

Trust Supernova Technology for Your Institution's SBL Solution

Supernova's streamlined and easy-to-use SBL solution can lead private bankers and advisors to proactively offer SBL more broadly and accelerate your business's growth. Stages of the loan process are digital, fast, and efficient and provides complete transparency. Loans can be approved in minutes, not weeks, with full integration. With Supernova's origination platform, institutions can decision more loans per day and redeploy staff; cost savings realized can be over 80% annually***. Supernova's risk management tools provide dynamic and robust insights to

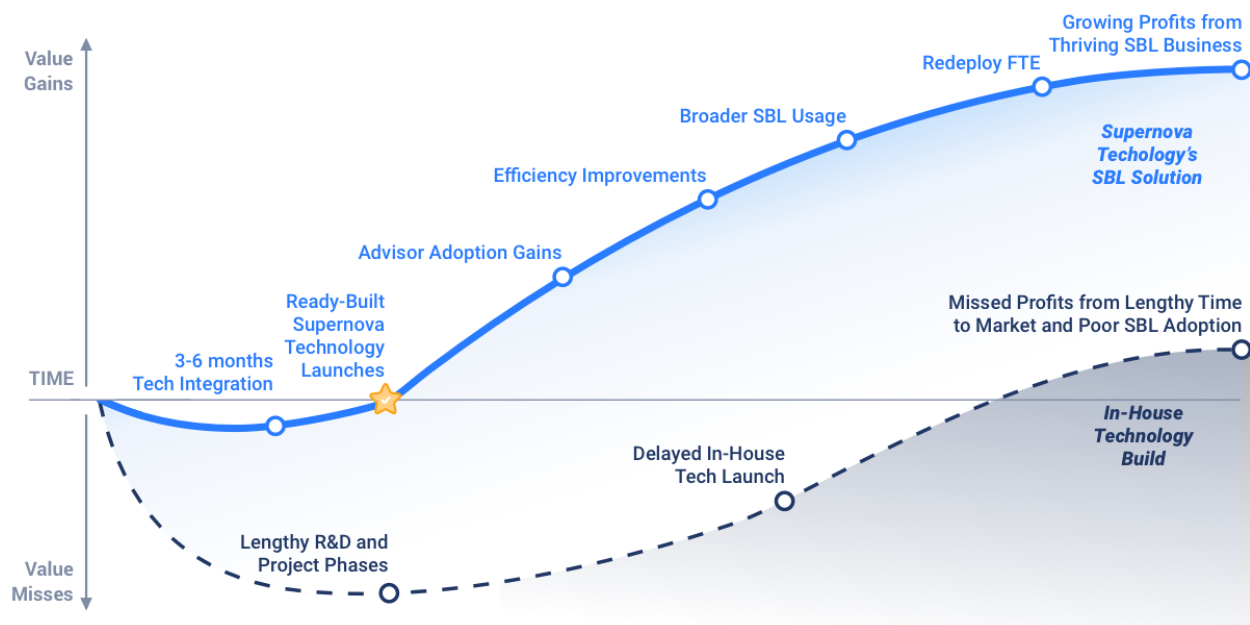
understand and manage the firm’s SBL portfolio at scale. Our solution is modular by loan function and spans the life of loans, including:

- Liquidity Estimator and Digital Application
- Loan Origination and Underwriting
- Risk Monitoring and Mitigation
- Loan Servicing
- Smart Analytics

Supernova’s cloud-based SaaS software integrates real-time data from multiple sources and systems to store data and critical documents in one centralized place. Our solution co-exists in harmony with institutions’ enterprise ecosystems. Plus, Supernova provides best-in-class servicing and partnership.

To schedule a quick demo of Supernova’s technology and see how streamlined and user-friendly securities-based lending can be, contact us at (312) 470-6280 or info@supernovacompanies.com

Supernova’s Technology = SBL Profit Growth and Efficiencies



*Source: Wealthmanagement.com, Banks are Giving the Ultra-Rich Cheap Loans to Fund their Lifestyles, July 23, 2021

**Source: The Wall Street Journal, Buy, Borrow, Die: How Rich Americans Live off Their Paper Wealth, July 13, 2021

***Figures provided by Supernova are estimates based on historical data, and there is no assurance that projected results will be attained.