



SEI Sues SS&C, Claiming Rival Out to Destroy Portfolio Accounting Business

By Dervedia Thomas

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SEI is suing rival service provider SS&C for what it deems as anti-competitive behavior that could cause serious damage to its business.

SEI claims that SS&C is trying to end a contract between its affiliate Advent, which licenses portfolio accounting software called Geneva to SEI, a lawsuit filed in the U.S. District Court for the Eastern District of Pennsylvania states. SS&C has also sought to renegotiate the contract with price increases that SEI considers too steep to accept, according to the suit.

"SS&C, a direct competitor of SEI, will benefit from this improper termination as it will have access to the very software that SEI's customers desire, leaving SEI to figure out a way to compete without the standard industry software that it bargained for in the Agreement," SEI states in the lawsuit.

SS&C acquired Advent in 2015, roughly 15 years after SEI established service with Advent.

SEI relies on the Geneva software to sell portfolio accounting services to its clients, according to the lawsuit. Geneva also includes Advent's Moxy application, a portfolio and trade order management system.

SEI could migrate to other software, but the firm claims it could take three years to research other systems, select a replacement, contract with another vendor, and make the switch. Further, many investment managers have a strong preference for using Advent software and will only work with portfolio accounting service providers that have access to Advent's products, according to the lawsuit.

"Without access to the Advent data and portfolio accounting processing functionality, SEI's services would be so materially diminished that it could not meaningfully compete and would be irreparably harmed," SEI says in the suit.

Under terms of the agreement, SEI claims that it alone has the right to terminate the agreement unless there is a material breach. And there must be opportunity to rectify the infringement, SEI argues.

SEI claims that the firm received a termination notice from SS&C on Oct. 31 and then participated in two conference calls to discuss the matter with Advent's parent company.

SS&C also informed SEI, in a Nov. 18 letter, that it had breached its contract by trying to solicit Advent employees for hire on multiple occasions, the lawsuit states.

Additionally, the letter states that SEI's interpretation of perpetual contract renewal is "strained and aggressive" and "would not be enforceable under the law."

SEI shot back in a December letter arguing that "the non-solicitation provision it allegedly breached does not relate to a material obligation and cannot form the basis of a proper termination."

In subsequent discussions to resolve the dispute, SS&C allegedly proposed a more than 40% price increase, despite the contract's 3% cap on annual fee hikes, the lawsuit states. SS&C also allegedly proposed a new pricing structure based on assets under management, which SEI says runs counter to the terms of the existing contract. SEI did not agree to the proposed price changes but continued to negotiate. Then, on Jan. 22, SEI says it received a settlement agreement from SS&C that included a "broad general release whereby SEI would release both Advent and SS&C from any wrongdoing." The settlement also included the proposed rate increase, the lawsuit states.

"It has now become clear to SEI that Defendants have improperly threatened claims of breach and terminated the Agreement in an attempt to destroy critical parts of SEI's business," SEI argues in the complaint.

SS&C finds this suit to be without merit, a spokesman tells FundFire. After the suit was filed by SEI under seal, SS&C successfully petitioned the court to unseal the action despite SEI's objection, he adds.

"SS&C abides by its contracts and we or our predecessor companies have enjoyed a 20-year relationship with SEI Corporation," the spokesman says.

SEI is bringing a legitimate action against SS&C because they're claiming economic harm stemming from intentional damage to a contractual relationship, says Richard Heller, a partner at law firm Thompson Hine who uses SS&C software and is not involved in the case.

"Based on the Advent acquisition, it does appear that SS&C is able to dictate terms that were not contemplated in the original agreement that SEI had with SS&C," he says.

SS&C would have to prove that SEI poached or tried to solicit Advent employees to prove the breach, Heller says. "That's a question of fact," he says. "If they're able to prove that employees were stolen, that's probably a weakness in SEI's case. The mere attempt to do so could result in a favorable outcome for SS&C."

SEI is between "a rock and a hard place," because the firm is reliant on Advent's system, says Richard Jackson, director of research at APX Stream, formerly called Jackson Analytics. He noted the SEI suit is reminiscent of Compass iTech's lawsuit against eVestment, in which Compass claimed eVestment boosted its Omni platform by cutting off access to eVestment's database, which Compass needed to populate its rival ProFusion platform, as reported. But eVestment countersued and won after determining that Compass had been using eVestment's database without authorization since 2011.

"SEI has actually been dependent on the Advent software and had unfettered access to their license. But since SS&C claims there's a breach, SS&C [may] no longer have access, much like ProFusion had no access to eVestment," he says.

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