

Life After BBH: State Street Plots Organic Growth Path

State Street will plow forward with plans to expand its product offerings and client base after it abandoned its plans to buy Brown Brothers Harriman's investor services business.

By [Brian Ponte](#) | December 1, 2022

State Street still aims to accomplish its goals of offering a wider range of asset types to more geographically diverse clients, even after abandoning its plans to buy **Brown Brothers Harriman's** investor services business, the firm says.

But to do so, the company may have to staff up and build out teams focused on technology and operations, industry analysts say.

State Street and BBH [announced](#) Wednesday that the \$3.5 billion deal was off, more than a year after the tie-up was announced. Through the acquisition, State Street would have picked up BBH's custody, accounting, fund administration, global markets and technology service operations.

The deal, which was poised to close by the end of 2021, had been delayed at least four times. In October, State Street executives said that the firm [remained](#) interested in buying the BBH unit because of its scale, technology and staff.

However, the firms decided to pull the plug on the deal because they were unable to receive all the necessary regulatory approvals, the company said.

Instead, the firm intends to grow organically, the firm said.

“The proposed transaction complemented but did not define our plans to extend our products and the markets we service,” a State Street spokesperson wrote in an email. “We

have continued to build out our product suite and expand geographically since we announced the proposed acquisition in September 2021.”

In the past 14 months, the firm has expanded its product suite with State Street Collateral+, GlobalLink FX and GlobalLink Digital, its peer-to-peer repo program and direct access lending, the spokesperson said.

State Street has also expanded geographically, the spokesperson noted. For example, in October, the firm announced it had opened a new office in Chile. The firm also launched a new integrated fund trading solution and a custody offering for clients in Mexico, he added.

“State Street will also continue to focus on recruiting and development efforts to attract and retain top talent and industry leaders in markets that align with current and future demands, and the ever-changing nature of our business,” the spokesperson said.

Unlike several other large asset managers, State Street has not announced plans to decrease hiring efforts amid rocky markets.

“State Street has a big engine, they're a large firm and they're going to keep pushing forward, regardless of the BBH deal not going through,” said **Tom Secaur**, global chief operating officer at **Citisoft**.

The firm may have to fill certain technology and operations roles or build out its State Street Alpha team in order to meet some of the goals it had hoped to accomplish through its acquisition of the BBH unit, he added.

The deal would also have helped State Street expand into certain European regions like Luxembourg, Secaur noted.

Many industry firms have beefed up their technology spending in recent years, said Jonathan Doolan, managing partner at Indefi.

BBH, meanwhile, does not plan to sell its investment services business or to pursue another transaction, stated Managing Partner Bill Tyree.

Sean Pairceir, the firm's head of investor services, said he is "disappointed" that the deal fell through.

Pairceir noted that the firm is encouraged by being "particularly valued" by its clients and plans to continue to be a "highly valued component of the marketplace" as an independent firm.

Neither BBH's clients nor its employees were "fond of" the uncertainty surrounding the deal, Pairceir noted. But clients have expressed "enormous levels of understanding and empathy" toward the firm and have made it clear that they value the "BBH service model," he noted.

He did not comment on whether clients left BBH due to the uncertainty.

"Clients are going to be less nimble with making the move, just because the types of things that we're talking about are very sticky, whether it's on administration, custody or other aspects of asset servicing," Secaur said. "It's costly and time-consuming to move [clients] from one provider to another."

Now that the deal has been abandoned, however, Secaur noted that he expects to see "quite a bit of movement" of clients away from BBH.

Some employees, however, got nervous about the delays, prompting them to leave the firm to seek "a new challenge" elsewhere, Secaur said.