

MARCH 2026

## Why Global SMAs Require a Different Operating Model

*Jennifer Waffle, Client Executive, Platform Services*

For most of my career—across Lazard Asset Management, Vestmark, and Citi Transaction Services—I’ve worked at different layers of the same ecosystem: asset management, managed account platforms, and global custody. What has become increasingly clear over time is that while Separately Managed Accounts (SMAs) have matured into a highly efficient structure in the United States, that model does not translate cleanly into international markets.

The industry is now at an inflection point. SMAs, once considered a niche or high-net-worth solution, are becoming a preferred vehicle for delivering customized portfolios, transparency, and tax efficiency. Institutional investors and wealth managers alike are shifting toward these structures because they allow for direct ownership and tailored portfolio construction rather than pooled exposure.

A useful way to frame the scale and momentum behind managed accounts comes from Cerulli. *As noted in recent industry reporting, the \$5tn managed accounts market has grown nearly 15 per cent in the last year, and is expected to top \$8tn by 2027.* This trajectory underscores just how quickly the model is moving from a predominantly U.S. construct to a global one.

This growth reflects a broader structural shift toward customization and personalization. Morgan Stanley has reinforced this trend in its research, noting that customization and tax management are now core expectations among investors, not differentiators. The implication is clear: investors increasingly expect portfolios to be tailored to their specific needs and circumstances, and SMAs are one of the most effective structures to deliver that outcome.

But the reality is that most of the infrastructure supporting SMAs today was built for a single market—the United States—and that creates a fundamental mismatch as the model expands globally.

### U.S. Infrastructure Was Never Designed for Global Complexity

The U.S. SMA ecosystem works because it is tightly coordinated. Custody, trading, portfolio accounting, model delivery, and reporting are all designed around a common set of assumptions: a single currency, a relatively uniform regulatory framework, and standardized market structure.

Once you step outside that environment, those assumptions break down almost immediately.

International SMAs introduce multiple custodians, multiple regulatory regimes, and different trading infrastructures across regions. Settlement cycles vary. Market conventions differ. Instruments behave differently depending on where and how they are listed. What appears seamless in a domestic context becomes fragmented at a global level.

Even large global platforms implicitly acknowledge this variability. The flexibility of SMAs—the ability to hold a wide range of securities and tailor portfolios at the account level—is precisely what makes them powerful, but it is also what introduces complexity when scaled across markets.

## Multi-Currency Is the Structural Challenge

If there is one issue that consistently sits at the center of global SMA complexity, it is currency.

In the U.S., currency is largely invisible. Everything is denominated in dollars, and most systems are built with that assumption embedded at their core. Portfolio accounting, performance measurement, rebalancing logic, and reporting all operate within a single-currency framework. Internationally, currency becomes an active and often dominant variable.

Portfolios may contain securities denominated in multiple currencies, while the client account itself may have a different base currency altogether. Cash balances must be managed across jurisdictions. FX exposure must be measured, and in some cases hedged. Even something as simple as rebalancing a portfolio becomes significantly more complex when exchange rates are moving alongside asset prices.

This creates cascading effects. Portfolio weights are no longer static—they shift with currency movements. Performance is no longer absolute—it must be understood relative to FX. Cash management becomes a function of both liquidity and currency optimization. And critically, most legacy SMA systems were never designed to handle these dynamics natively.

## Where the Model Breaks Down

In practice, these structural gaps show up in very specific—and often compounding—ways.

Trade execution becomes materially more complex when accessing foreign ordinaries, ADRs (both sponsored and unsponsored), F-shares, and local market instruments through a fragmented network of broker-dealers and trading venues. Each market introduces its own liquidity profile, trading hours, settlement conventions, and market rules. What is a single workflow in the U.S. becomes a series of market-specific processes that must be coordinated in real time. Settlement mismatches arise as portfolios span markets operating on different cycles - T+1, T+2, and in some cases longer - creating timing dislocations in cash and position availability. These mismatches directly impact rebalancing, funding, and the ability to maintain target allocations, particularly when portfolios are moving across time zones.

Reconciliation becomes significantly more difficult as portfolio management systems attempt to align with custodial records across multiple currencies, asset types, and jurisdictions. Differences in data standards, pricing sources, corporate action treatments, and FX translation methodologies introduce persistent breaks that require manual intervention and operational oversight. The concept of a “clean” daily reconciliation—taken for granted in a domestic SMA—becomes far more challenging to achieve consistently.

At the same time, portfolio construction itself is constrained by market access. In fixed income, many securities are not universally available to all investor types, particularly when crossing onshore and offshore boundaries. This limits implementation flexibility and requires workarounds that can introduce tracking error relative to model portfolios.

As we’ve seen in practice, the top issues when processing international managed accounts include settlement cycle fragmentation, reconciliation mismatches between shadow accounting and custody, cross-asset execution challenges, AML/KYC complexity, and the need to integrate multi-currency, multi-custody structures into a single coherent account.

Operationally, the burden increases further when regulatory requirements are layered in. AML and KYC processes vary not only by jurisdiction but also by client type, requiring different onboarding workflows for RIAs, broker-dealers, and family offices. Client

onboarding itself becomes bifurcated between onshore and offshore structures, each with distinct tax treatments, documentation requirements, and reporting obligations.

Wealth managers are often forced to support both U.S. and non-U.S. clients within the same managed account framework, but with entirely different operational and regulatory requirements. The result is a system that must simultaneously accommodate multiple rule sets, reporting standards, and administrative processes—adding complexity at every stage of the lifecycle.

Taken together, these challenges are not isolated inefficiencies. They represent a structural gap between how SMAs are delivered domestically and what is required to operate them effectively on a global scale.

## A Different Approach Is Required

The next phase of SMA growth will not be driven by incremental improvements to U.S.-centric systems. It will require a platform and operating model that are global by design.

At inCadense, that is the problem we set out to solve.

The focus is not simply on enabling SMAs, but on enabling them across markets, currencies, and custodial environments simultaneously. That means building infrastructure that can support multi-currency portfolios, integrate with both U.S. and non-U.S. custodians, and normalize data across asset classes and jurisdictions. It also means embedding the operational workflows required to manage cross-border regulatory requirements and rebalancing portfolios across time zones and settlement cycles.

Equally important, it provides what both sides of the market are asking for. Asset managers can distribute strategies globally without building bespoke infrastructure in each region, while wealth managers can access multiple strategies through a single platform rather than stitching together fragmented solutions.

## The Path Forward

The global expansion of SMAs is not a question of “if”—it is already underway. The drivers are clear: demand for customization, transparency, and more precise portfolio construction is not limited to the United States.

What remains unresolved is how to deliver that model consistently across borders. From my perspective, shaped by years working across asset management, platform technology, and global custody, one thing is clear: **International SMAs cannot be treated as an extension of the U.S. model. They require a new foundation.**

The firms that recognize this—and invest accordingly—will be the ones that define the next generation of managed accounts. **Because in a global market, local solutions no longer scale.**

*References: Cerulli*

### Jennifer Wafle

Client Executive, Platform Services at inCadense Corp.



Jennifer Wafle is a Client Executive in Platform Services at inCadense, where she focuses on delivering global managed account solutions across institutional and wealth channels. She brings extensive experience across asset management, platform technology, and global custody, having held roles at Lazard Asset Management, Vestmark, and Citi Transaction Services. At Lazard, she worked closely with investment and distribution teams supporting institutional and intermediary clients, while at Vestmark she was involved in managed account platform solutions and model delivery infrastructure. Earlier in her career at Citi, she developed deep expertise in custody, settlement, and transaction services. Jennifer’s experience across these platforms gives her a unique perspective on the operational and structural challenges of scaling SMAs globally, particularly across multi-currency portfolios, cross-border distribution, and evolving regulatory environments.