



# Morgan Stanley Integrates Parametric Direct-Indexing SMAs in UMA Platform

The manager-traded separately managed account strategies are available as sleeves within the unified managed account platform, allowing clients to hold a single account with one consolidated Form 1099, executives said.

By **Nate DiCamillo** | June 17, 2025

Morgan Stanley Wealth Management has bolstered its unified managed account platform by integrating Parametric's manager-traded direct indexing separately managed account strategies as sleeves alongside other SMAs, exchanged-traded funds and mutual funds.

Previously, Parametric's manager-traded direct-index strategies were only available as standalone SMAs on the wirehouse's Select UMA platform, Chris Scott-Hansen, head of Morgan Stanley's consulting group, told FundFire.

The move allows advisors to consolidate direct-index strategies into a single account alongside other model delivered and manager-traded strategies – such as fixed income SMAs – with a single financial statement and Form 1099 for tax reporting.

The addition of the Parametric offerings allows for more coordinated rebalancing – the UMA portfolios and Parametric SMAs previously had separate rebalancing schedules – as well as tax-loss harvesting and capital gains budgeting. It also helps reduce wash sales and enables tradeless transfers of shares and tax losses between manager sleeves, which cuts down on trading.

"That's all now coordinated in a true unified managed account with Parametric inside," Scott-Hansen said.

Combining multiple manager-traded SMAs into a UMA is challenging without careful coordination, since one manager's trades can inadvertently trigger wash sales for another – undermining tax efficiency and performance tracking, Scott-Hansen said.

Equity SMAs, especially direct indexing strategies like Parametric's, involve more frequent trading and overlapping securities, which introduced higher risk of managers tripping over each other's trades, he added.

While Morgan Stanley is open to third-party managers offering their own traded direct-indexing strategies within its UMA, those firms must first invest in the necessary technology to integrate, he added.

"A lot of third-party firms are piggybacking off of third-party platforms that are not even theirs," Scott-Hansen said. "It's a multi-year journey."

Advisors can select Parametric strategies directly within Morgan Stanley's UMA portfolio builder, Scott-Hansen said. They can then set gain limits, tax-loss harvesting preferences and environmental, social and governance filters across the entire account. Clients can also opt to automate risk management and rebalancing, he added.

In 2026 and beyond, Morgan Stanley plans to launch a tax-loss harvesting algorithm with Parametric for tax managed UMAs, Scott-Hansen said. The firm also aims to introduce functionality that allows both advisor- and client-directed sleeves to coexist within the same UMA.

"Having that advisor managed sleeve is so important to their adoption of [the UMA]," said Scott Smith, director of advice relationships at Cerulli Associates, in an email.

"Many advisors have the one thing they want to run as part of the portfolio. Maybe they are an expert in small caps and want to retain that 5% or 10% of the portfolio. Not being able to do that could be a point of resistance that keeps them from adopting the UMA in the first place."

After the 2021 Eaton Vance acquisition, Morgan Stanley broadened its product suite to include model portfolios with Parametric's equity, fixed income and options overlay strategies in them. Around the same time, Morgan Stanley made it possible to add more than one manager-traded fixed income SMA to UMAs on its platform, Scott-Hansen said.

To support this, the firm restructured the UMA platform's sub-accounting system to "wall off" each manager's trades and manage rebalancing through an overlay system, Scott-Hansen said. The upgrade made it possible for clients to combine more than 40 fixed income SMAs within a single UMA – though in practice, most opt for just three or four.

"We think that has also helped benefit all of our fixed income managers, but in particular the Parametric and Eaton Vance combo, to get more pieces of the pie as it relates to assets and exposures to client accounts," Scott-Hansen said.

Morgan Stanley has now extended the update to equities, allowing Parametric's direct-indexing strategies to sit alongside other strategies within the UMA.

"We also had to build the capability to identify what security should go into the Parametric sleeve and which security should not go into that sleeve in terms of where there's some correlation," Scott-Hansen said.

At the same time, Morgan Stanley eliminated manual onboarding and fully digitized the customization and setup process. This allowed data to flow more efficiently from Morgan Stanley Wealth Management to Parametric, Scott-Hansen said.

"Now this information, instead of coming through emails and PDFs, is coming through a file that's sent from Morgan Stanley Wealth directly to Parametric," said Emily Gray, Parametric's managing director of product management. "We have straight-through processing now for creating accounts, processing activities."

Morgan Stanley also merged reporting data from its UMA platform and Parametric's direct-indexing strategies, Scott-Hansen said. Advisors now receive a single, consolidated report covering performance, risk and tax management.

"By integrating the custom index SMA into their existing workflow, into their existing advisor drop down menus, it's really making the path of least resistance to get to these things," Smith said.