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## NEWS RELEASE

### MERRILL & CARVER ENTER JOINT VENTURE

#### **Merrill Launches Third-Party Investment Biz**

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Originally Published By Gregory Shulas, Fund Fire

Merrill Lynch is making its first foray into the third-party asset management market through a partnership with a New York City-based community bank. The undertaking may be the start of a larger drive to provide Merrill's products and services to outside financial institutions.

Under the joint venture, Merrill will offer its open architecture platform, advisors and investment research to clients of two Carver Federal Savings Bank branches.

Carver investors will have access to mutual funds, exchange-traded funds and separately managed accounts (SMAs), according to their risk profile, a Merrill spokeswoman says. Carver will continue to sell the bank's own products, such as CDs and mortgages, under the firm's own name.

Merrill's own advisors, furthermore, will be present to provide in-house financial planning to investors at Carver branches in Harlem and Fort Greene.

This differentiates Merrill from other third-party providers, who provide non-proprietary investment platforms to bank/trusts and broker-dealers, but stop short of manning clients' offices with their own staffs, says Daniel Seivert, managing partner at investment bank and consultancy 3C Financial Partners in Manhattan Beach, Calif.

"It is one thing to provide the platform. It is another thing to provide personnel. This will be one of the first times that a third-party vendor provides personnel who function as investment advisors in the bank," Seivert says.

Another wirehouse that provides third-party service as well as advisors to bank/trust branches is Smith Barney, through the Bank Investment Center Program. The initiative only occurs in markets where Smith Barney's parent company, Citi, has no banking presence.

Other third-party vendors and turnkey asset management providers (TAMPs) in the banking/trust space are Prudential's Wealth Management Solutions unit, FundQuest, SunGard, Fortigent, Lockwood Financial, Concord and GlobalBridge. Other firms active in the sector include Smartleaf and Prima Capital.

But whether Merrill turns its partnership with Carver into a larger regional or national business line still remains to be seen.

A Merrill spokeswoman says the brokerage is just focused for now on making the new alliance work. The brokerage's long-term plans will be decided by how the Carver partnership works, what adjustments can be made, and how scalable the future business looks. Merrill executives were not available for comment.

Seivert believes Merrill would be more inclined to target upmarket institutions, such as private banks, were it to establish a third-party investment arm. In making that assumption, he cites Merrill's well-known strategy of emphasizing high-net-worth and fee-based business models over mass market service.

"If it is a private bank, trust company or branch that attracts high-net-worth clients with average balances in the seven figures, it could be a good fit with Merrill's other strategic objectives. A more of a typical middle market retail branch would likely not yield clients that are large enough," he says.

"As Schwab will readily point out, endeavoring into the world of walk-in branches is a completely different business proposition that requires a well thought-out business model to be successful," Seivert adds.

Merrill probably would have little trouble convincing community banks to partner with its wealth management unit, giving the numerous products and services available on its Consults platform. In a research report last month, Bear Stearns analyst Daniel Goldberg specifically cites Merrill's non-proprietary platform as a reason for the brokerage's recent success.

"Retention is currently at its highest level ever due to competitive comp package as well as a best-in-class platform....Merrill has greatly enhanced its platform from which advisors are more equipped to serve their clients," Goldberg explains. The wirehouse's deal to sell Merrill Lynch Investment Managers to BlackRock (Merrill owns approximately half of BlackRock) has only strengthened the brokerage's image as an open architecture firm, the analyst adds.

In a statement, Deborah Wright, chairman and CEO of Carver, says the "alliance" will help her bank better serve the growing financial needs of its clients.

"As the communities Carver serves evolve economically, Merrill Lynch is ...well-positioned to bring the products, advice and expertise respected worldwide into our neighborhoods. We appreciate Merrill Lynch's investment in our communities and their commitment to assist our customers to reach their financial aspirations," she explains.

Robert McCann, vice chairman and president of Merrill Lynch Global Private Client group, called Carver an ideal partner for this endeavor. "Carver Bank is an established and well respected institution in the communities it serves throughout New York," McCann says in a statement.

Carver Federal Savings Bank has nearly \$765 million in client assets. It serves New York City area clients through 10 branches, and is a unit of Carver Bancorp. Carver is the largest African- and Caribbean-American-run bank in the country, and counts revered inventor George Washington Carver as its namesake.

## ABOUT ECHELON PARTNERS

ECHELON Partners (ECHELON) was formed in 2001 to offer investment banking and consulting to a subset of the financial services industry known as "investment product developers and distributors" (IPDADs). Since that time, ECHELON's professionals have helped hundreds of senior executives envision, initiate, and execute a multitude of complex business strategies and transactions. ECHELON's business is making companies more valuable through delivering advice and orchestrating transactions. Accordingly, ECHELON measures its success in the enterprise value it creates for its clients. Companies that strive to outperform their peers choose to work with ECHELON because we are as passionate about their results as they are.

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