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## The Reserve's Cash Sweep Seen Aid in Bank Rivalry

BY MATT ACKERMANN

Regional and community banks that want to compete with their larger brethren for commercial clients have fueled a near doubling of assets in the cash sweep product sold by The Reserve, says the New York asset manager, which built its reputation selling money market funds.

Steve Genereau, a vice president and sales manager, said the firm has added \$1.3 billion of assets under management as it has gotten 75 new bank customers already this year. The Reserve began offering its cash sweep product to banks in 1999 and amassed \$1.7 billion of assets under management over six years, through last Dec. 31.

"It is pretty amazing progress considering we signed up 20 to 30 banks per year over our first six years and this year we are signing a bank every two to three days," Mr. Genereau said.

He added, "We'll be at \$4 billion by the end of the year."

The cash sweep, which is popular with banks' commercial customers, sweeps uninvested cash into an investment fund nightly.

The Reserve now has 125 bank relationships. Mr. Genereau said the firm's sweet spot is with banks that have \$500 million to \$20 billion of assets and lack a



**Genereau:** "This year we are signing a bank every two to three days."

proprietary sweep account. During an interview in January, Bruce Bent 2d, the company's vice chairman and president (and the founder and chairman's son), said in an interview that he believed The Reserve could expand to reach 550 banks.

The Reserve had \$46 billion of assets under management at midyear, up 9% from Jan. 1. Mr. Bent said in January that he expects the company to have just short of \$60 billion under management by year-end and \$85 billion by the end of 2007.

The Reserve has had strong growth in

the past couple of years. Its assets under management increased 35% in 2005 to \$42.2 billion as the Reserve Cash Sweep increased 85% to \$1.7 billion.

Mr. Genereau said more community and regional banks are interested in competing with larger banks for commercial accounts. He said a cash sweep product is "essential" if small and midsize banks want to get commercial customers.

"Cash sweep accounts are part of the platinum or gold offering that is necessary for business accounts," he said. "When it comes to customers like this, it is what they are demanding."

Analysts said it is difficult, but not impossible for smaller banks to compete for commercial accounts of \$50,000 to \$10 million.

"Banks of all sizes are gearing up to increase their deposits by developing the products and services they have available to all of their customers," said Burton Greenwald, a Philadelphia analyst with BJ Greenwald Associates. "This will continue as long as loan demand continues to increase."

Mr. Genereau agreed that this includes "banks from any part of the county including savings banks, thrift banks, and community banks. Everyone is ramping up for deposit growth."

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*Continued from the other side*

Analysts said The Reserve will continue to face stiff competition from other broker-dealers — and most big banks have their own proprietary cash sweep products. But Mr. Genereau said he is confident his company's share will grow.

"Most banks between \$15 billion and \$50 billion are debating whether they should graduate and create their own product, so really that'll probably continue, but we aren't sure," he said.

"We weren't quite sure we'd be up here working with banks with more than \$5 billion in assets. This business has really taken on a life of its own."

"Most megabanks have had internal sweeps for years," he said, "but the community and regional banks that are working with us are catching up quickly. More and more companies, including banks and some nontraditional broker-dealers, are entering the race for deposits."

The Reserve is developing cash management products that it will unveil in the next six to 12 months, he said.

"Banks will continue to pull in more mid and upper-size business customer accounts if they can do the cash management for them, and we'll develop more banking customers if we can offer the products that they need to compete," he said. "It is all about leveling the playing field." ■

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## Learn more about **The Reserve Cash Sweep<sup>SM</sup>** — Your Complete Balance Sheet Solution

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