


Canadian banks leap at U.S. rivals' weakness

Grant Robertson

Canadian banks that covet a bigger slice of the U.S. market have identified a small window of opportunity to potentially steal corporate business from troubled American banks.

Now some are pulling out all the stops – using top bank brass to wine and dine the heads of small U.S. companies and flying in analysts from Canada to provide market insight – in an attempt to convince those businesses to change bankers.

Corporate banking is known for being a tough market in which to grow, since companies often stay with one primary lender for decades. But past recessions have shown economic downturns produce temporary upheaval, which can be fertile ground in the hunt for new business.

“Almost all of the market share gains that banks got over the last 30 to 40 years have come in this window of three months to 15 months out of the recession,” said David Casper, Bank of Montreal's co-head of investment and corporate banking in [the United States](#) .

“I can't quantify how much we can gain, but I strongly believe that now is the opportunity to gain that market share.”

Though they are relatively smaller players in the U.S. market, Toronto-Dominion Bank, HSBC Bank Canada, BMO and other Canadian lenders are selling themselves as more stable and willing to offer credit than their American rivals.

“We want to take part in this expansion,” said Miguel Barrieras, national head of business banking at HSBC Bank Canada who added that a sharp drop in business lending in the U.S. should create opportunities. Lending to small- and medium-sized businesses in the U.S. fell to \$670-billion (U.S.) from \$710-billion over the past year.

But this window of opportunity comes with risks for the banks. Many companies now looking for credit are not the most attractive borrowers. The goal is to weed out the good from the bad.

“Like everyone else, we've had to make sure that we're doing our research and understand what's going on ... everyone can potentially get into trouble,” said Suzanne Poole, executive vice-president of retail sales strategy and small business at TD. “We've certainly viewed the downturn as an opportunity.”

Amid the wooing, business owners are now finding themselves in unusual situations, and competition for their attention is fierce. When Chicago-based Continental Packaging Solutions began looking to sever its ties with [Bank of America](#), amid concerns about the upheaval in the U.S. banking sector, the company was courted by at least six different banks, including Canadian institutions.

To win over the company, BMO brought in the vice-chairman of its U.S. division, Harris Bankcorp Inc., for a series of personal dinner meetings with Continental's chief executive officer Mark Giesen, convincing him to move to the Canadian bank. In an interview, Mr. Giesen acknowledged it was unusual to be getting such hands-on attention from a bank's upper management.

The Canadian banks' campaign won't be enough to cause a major shift in the overall business lending picture in the United States. The decrease in lending over the past year has raised concerns with the U.S. Federal Reserve, which has conducted more than 40 meetings with businesses across the country since February to discuss the implications it could have on an economic recovery.

Companies with 500 employees or less make up half the U.S. labour force and Fed chairman Ben Bernanke said this month those firms will be looked upon to play a key role in job creation as the country attempts to pull itself from the recession. To do that, they will need access to credit.

"It seems clear that some creditworthy businesses, including some whose collateral has lost value but whose cash flows remain strong, have had difficulty obtaining credit that they need to expand – and in some cases, even to continue operating," Mr. Bernanke said.