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## ***U.S. Banks Are Looking to Canada for Growth***

By Kevin Wack

The inroads made by Canadian banks into the United States have garnered more attention, but quietly and on a smaller scale, the reverse is also occurring.

U.S. banks are seizing opportunities in Canada — both in niche business lines where they can leverage their existing expertise, and in commercial banking more generally, to better serve customers operating on both sides of the border.

Wells Fargo this month announced plans to expand its wholesale banking operations in Canada. The \$1.4 trillion-asset company has roughly 35 employees in its Toronto, Calgary and Vancouver offices and aims to add up to 65 more, according to Rick Valade, the head of Wells Fargo's Canadian operations. It is also considering opening two or three new Canadian locations, he says.

Wells Fargo's focus in Canada is not only on lending, but also treasury management, foreign exchange and trade services. It says it is looking to serve U.S. companies with operations in Canada, Canadian companies that operate here, and local Canadian firms.

"The strategy really is one of just following our customers," Valade says.

The Canadian expansion is the latest example of a U.S. bank ramping up in Canada as growth lags here at home.

TCF Financial in Wayzata, Minn., has expanded its inventory finance business over the past year by signing



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exclusive lending agreements with dealers and distributors of boats, lawn equipment and other consumer products on both sides of the border.

A third U.S. company, Wintrust Financial, expanded its insurance premium funding business into Canada with the recent purchase of a firm that generates about \$600 million in premium finance receivables north of the border each year.

U.S.-based banks are focused on corporate clients because retail customers in Canada are largely off limits. Foreign institutions

operating in Canada are generally barred from accepting deposits of less than \$150,000, which helps explain why retail banking in the country is dominated by a handful of large Canadian banks, including Toronto - Dominion Bank, Royal Bank of Canada and Bank of Montreal.

The same restrictions do not apply in the United States, where Toronto-Dominion and Bank of Montreal are major players and continue to add market share through acquisitions. (Royal Bank of Canada largely left retail banking in the U.S. earlier this year when it sold its Raleigh, N.C., bank to PNC Financial Services Group, though it still has an online bank for U.S. customers.)

Bank of America, Bank of New York Mellon, Capital One, Comerica, Fifth Third Bank, JPMorgan Chase, M&T Bank, Northern Trust, State Street and U.S. Bancorp are among the American institutions with deposit-taking operations in Canada.

Sheryl Kennedy, chief executive of the bank consultancy Promontory Financial Group Canada, says the expansion of U.S. banks into Canada and Canadian banks into the United States is a result of deeper economic ties between the two countries.

“The relationship is deeper than trade flow,” she says. “The U.S. and Canadian economies are increasingly integrated, and firms are responding by making substantial cross-border commitments in plant, equipment, and other fixed investments. Banks naturally want to follow wherever their customers go.”

Kennedy warns that U.S. banks expanding into Canada will face certain unfamiliar challenges.

“You can’t just bank like you always have,” she says. “You have to adapt to the local business culture, as well as the regulatory and competitive environment, in each jurisdiction.”

One sector where Wells Fargo sees particular opportunity in Canada is energy. Oil production is booming both in North Dakota, where Wells also has a significant presence, and across the border in western Canada.

“The energy sector definitely was one area where there was a strong demand and a strong interest,” Valade says.

The northward expansion is part of a growing international strategy for Wells Fargo, the fourth largest American bank by asset size. Other countries where Wells has said it plans to grow to serve commercial clients include Australia, China, France, Germany, India, Japan, Mexico, the Netherlands, Singapore and South Korea.

“So Canada is the first of what could be 20 countries,” Valade says. ■

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