



Wall Street Cedes to Bay Street as Canada Banks 'Play Offense'

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By Doug Alexander



Oct. 6 (Bloomberg) -- **Henry Michaels** spent 25 years as an investment banker with New York-based firms such as Merrill Lynch & Co., Lehman Brothers Holdings Inc. and Citigroup Inc.

When the financial crisis deepened this year, he abandoned the struggling U.S. companies for a job at **Royal Bank of Canada**.

"In this crisis, strength and stability matter," said Michaels, 48, who resigned as co-head of Citigroup's banks and diversified financials group in May to join **RBC Capital Markets** in New York. "RBC is in growth mode, and it's nice to be playing offense."

Canadian banks, bolstered by their reputation as the world's soundest, are adding investment bankers even after rivals slashed almost 316,000 jobs worldwide since the collapse of the U.S. subprime market in 2007, according to data compiled by Bloomberg.

Lenders including RBC, **BMO Capital Markets** and CIBC World Markets have hired more than 700 investment bankers, analysts and traders in the U.S. and Canada this year, including from rivals such as Goldman Sachs Group Inc., Morgan Stanley, Merrill Lynch and Citigroup.

"The profile of the Canadian banks on the global scale has been heightened exponentially over the course of the last year," said Rose Baker, a managing partner in Toronto with executive recruitment firm **Heidrick & Struggles International Inc.** "They look more powerful and are able to attract talent that was historically not available to them."

Soundest Banks

Canadian lenders, based in Toronto's financial district known as Bay Street, have remained profitable amid the crisis because of tighter restrictions on lending and higher capital requirements. As a result, Canada's biggest banks posted about \$20.4 billion in writedowns and credit losses since 2007, a fraction of the \$1.62 trillion taken by global financial-services firms in the period, according to data compiled by Bloomberg. The World Economic Forum last month named Canada as home to the world's soundest banks for the second straight year.

The resilience allowed the Canadian lenders to climb the ranks of global firms. Three Canadian banks now rank in the top 10 among North American lenders by market value. Three years ago, only Royal Bank made the list.

Canadian banks are taking on experienced bankers as larger firms trim ranks. North American banks and brokerages cut 9.9 percent of their workforce in the past two years, according to Bloomberg data. Bank of America Corp. eliminated 46,150 jobs, while Citigroup cut 38,900 positions and Lehman fired 13,390 employees.

Job Cuts

By comparison, Canada's five biggest banks pared 3,135 jobs, or about 1.1 percent of their staff, in areas such as consumer banking, according to company filings.

RBC Capital Markets hired 325 investment bankers this year, including about 200 in its U.S. offices, said spokeswoman **Katherine Gay**. The hires included a Citigroup team of Michaels, **Jerry Wiant** and **Sean Burke**, who joined in July to expand RBC's financial institutions group.

Resumes are still coming in, said **Doug Guzman**, RBC's head of global investment banking.

"Five or six years ago we would have had to go hire headhunters for every single spot we wanted to hire because we didn't have a network, our name wasn't sufficiently known," Guzman, 44, said from Toronto.

RBC also recruited **James Caldwell** from Banc of America Securities in July to head up a new aerospace and defense group out of New York. In April, RBC expanded its U.S. real estate banking group by hiring **John Case** from UBS AG.

"Our ability to build the business faster makes us a more attractive place to work," Guzman said.

'Different Careers'

Bank of Montreal's investment bank attracted 30 people from non-Canadian firms this year as directors and managing directors at its U.S. and European offices.

"We've been able to do an awful lot in a nine-month period because people are entertaining and receptive to considering new and different careers, or careers with different firms," said **Bill Butt**, global head of investment and corporate banking at BMO Capital Markets in Toronto.

BMO's recruiting allowed it to expand investment-banking services for industries including health care, food and consumer, and energy. Hires included **Peter Boukouzis**, 41, who left Rothschild's New York office after eight years to move to Houston with his wife and three kids in August.

"I've had a number of folks from other firms ask me if BMO is still hiring in the U.S.," said Boukouzis, who advises oil and gas companies on takeovers. Canadian firms "have not gone unnoticed, both for the expansion in the U.S. market and the stability."

European Expansion

In May, BMO hired **Greg Pearlman** and two others from Bank of America in Chicago to expand services for food and consumer companies. The firm also added a seven-member equity products sales team from UBS for its London and Paris offices in August.

Canadian Imperial Bank of Commerce, which sold its New York-based investment banking business in January 2008, has also recruited from international firms to bolster its ranks, mainly in Toronto. The bank hired 32 senior bankers from foreign firms in the past nine months, including former Merrill Lynch banker **Susan Rimmer**, who heads up part of CIBC's debt capital markets business, and former Lehman takeover specialist **Geoffrey Belsher**.

Bank of Nova Scotia's investment bank hired five Wells Fargo & Co. bankers to expand its stock lending business in the U.S. last month. In March, Scotia Capital bought an energy trading business from UBS, adding about 60 employees in New York.

Canadian banks had a "big advantage" in the past six months for attracting skilled bankers, Heidrick & Struggles' Baker said. The challenge now is to keep them, she added.

Retention

"As some of the international banks like Bank of America and Citi get their house in order, they may lose some of that advantage," Baker said. "As the market turns, it's going to be all about how they retain them."

Bill Vlaad of Vlaad & Co., a Toronto-based recruiter specializing in the financial-services industry, says Canadian banks have "increased their weight class" during the slump, though they shouldn't count the competition out.

"One hundred and fifty years of global dominance in capital markets doesn't just disappear overnight," Vlaad said. "Some of these names that we've seen in the paper will shine again, and there's something very rewarding about having those names on your resume."

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