



Headquarters of the Bank of Nova Scotia at King and Bay Streets in Toronto.

The Latest Member

In 1975 IAC Ltd., one of Canada's leading finance companies, applied for a bank charter. It received it in 1979 and the Continental Bank of Canada was formed.

IAC had decided to go into banking because the banks were offering the same specialized services that it did.

Stanley Melloy, who was in charge of IAC's strategic planning, saw three choices: convert to a bank, develop trust business, or buy one or more banks in the United States.

"Our market was contracting, and going into banking provided more growth potential than our other alternatives of buying a trust company or some banks in the United States," Mr. Melloy said later.

Under its charter Continental has until 1987 to absorb the assets and liabilities of IAC, but it plans to complete the process well before that time. IAC will then disappear as a corporate entity. A 20-member group has put together a detailed step-by-step master plan.

Continental's experience demonstrates the difficulty new banks in Canada face when trying to break into the tight inner circle. For one thing, they are always relatively small. Continental currently has assets of \$1.8 billion. The Royal Bank

of Canada, by contrast, has assets of \$74 billion. After its first year's operations IAC reported a diminution of profits, attributable in part to the sudden surge in interest rates. The basic costs of converting have been estimated at \$30 million. Changing a single finance company branch into a bank branch can cost as much as \$600,000.

Continental plans a number of branches in the West (primarily Alberta), Ontario, Quebec and the Maritimes. Bank analysts predict that Continental's sophisticated computerized record-keeping and its careful planning will pay off.

The Bank of Canada

The Bank of Canada operates with the same purpose and in much the same manner as the United States Federal Reserve System. It controls the amount of currency in circulation through its control over monetary policy. Each chartered bank must maintain cash reserves with the Bank of Canada.

Until the Bank's establishment in 1936, chartered banks could issue their own currency.

The Bank sells government securities to decrease the reserves of the chartered banks and thus lower the amount of cash in circulation. It buys them to increase the cash reserves of the



When the Bank of Canada outgrew its quarters in the early 1970s, architect Arthur Erickson designed two towers of glass and oxidized copper to flank the original stone structure. The three buildings are connected by bridges within an enclosed glass courtyard.