



Move Over, Canadian Imperial Bank of Commerce: You're About to Get Some Innovative Competition

Description

My favourite Canadian bank is **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)).

When it announced in January that it was buying Wellington Financial, one of this country's most successful venture capital companies in the tech space, and putting Wellington's founder and CEO Mark McQueen in charge of the bank's Innovation Banking division, I was very impressed.

Canadian banks don't do innovation. This was a big deal, one that would continue to push CIBC's stock higher.

"Once again CIBC has gotten off to the slowest start of the Big Five banks so far in 2018," I [wrote](#) January 10. "If you're a value investor, this failure to launch provides you with a better buy than you probably should get considering it's arguably Canada's best bank."

New competition readies to enter Canada

When I read the March 14th press release, I could hardly believe my eyes. My favourite U.S. bank — **SVB Financial Group** ([NASDAQ:SIVB](#)), which is the holding company for Silicon Valley Bank — announced that it was in the final steps of getting approval from the Superintendent of Financial Institutions to open an actual lending branch in Canada.

It seems not only am I excited by the news, but so too are Canadian entrepreneurs.

"Silicon Valley Bank's expansion into Canada will significantly support the tech ecosystem here. We've worked with SVB for more than three years now and they are a true partner," said Jason Atkins, CEO of 360insights. "They understand our business, create opportunities for us to connect with other technology companies and investors, and provide flexible and innovative financing solutions."

If that's not enough, Silicon Valley Bank also announced the hiring of **Royal Bank of Canada** veteran Barbara Dirks to run the bank's Canadian operations. Dirks's most recent job for RBC was senior vice president of Network and Advisor Strategy for both personal and commercial banking.

This is a direct shot across the bow of CIBC.

Just as it's getting its Innovation Banking business up and running, the U.S. bank known for its expertise dealing with tech and entrepreneurial companies jumps into the fray.

A missed opportunity

Last June, I'd [suggested](#) that CIBC should buy SVB Financial because it would acquire an unbelievably solid banking operation in the U.S., while also gaining entry into the world of major-league tech financing. It's possible that CIBC bought Wellington because it knew the California bank had applied to establish a branch in May 2017.

We'll never know the answer to that, but now that Silicon Valley Bank is coming, CIBC shareholders ought to consider the ramifications of this news.

Healthy competition is good

Personally, I don't think CIBC has much to worry about. There's more than enough business to go around. Besides, McQueen's contacts don't stop at the 49th parallel. Canada's most underappreciated bank by investors will do just fine.

If anything, Silicon Valley's move signals the climate for tech investment and lending might be improving in Canada. I'd like to think so.

So, if you already own CIBC stock, I'd seriously consider buying SIVB. If you don't, I'd think about buying both, because the two banks are playing in a very lucrative sandbox.

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