

RE: CANADIAN COMMERCIAL BANK

MUNICIPAL MANAGER'S RECOMMENDATION:

1. THAT the recommendation of the Director Finance be adopted.

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1985 September 04
File: I56-4

TO: MUNICIPAL MANAGER
FROM: DIRECTOR FINANCE
RE: CANADIAN COMMERCIAL BANK

RECOMMENDATION

1. THAT this report be received for information purposes.

REPORT

This report is to inform Council about Burnaby's position following the recently announced failure of two Canadian owned chartered Schedule A banks, the Canadian Commercial Bank and the Northland Bank.

Included in our \$115 million investment portfolio at present is a \$3 million floating rate term deposit of the Canadian Commercial Bank. This deposit was made 1985 January 28 and earns interest payable quarterly (April, July, October and January) at prime less 5/8%.

The maturity date of this term deposit is 1986 July 28 and it has two call features. The first call feature would have allowed us to redeem the security at any time up to 1986 January 28 at face value and earn no interest on the investment. The second would have allowed us to redeem the security at any time thereafter and earn full interest up to 1986 January 28 and interest at 1 5/8% below prime for the period held after January 28. The April and July interest payments were received on the due date.

In March of this year, the unexpected collapse of the Canadian Commercial Bank was prevented by an infusion of capital by the Central Bank and others. Since that time the Bank of Canada has positively stated that it would provide the Canadian Commercial Bank with whatever amount of liquidity support it may require. As a result, the Dominion Bond Rating for Canadian Commercial short term paper, which dropped after the announcement in March from R-1 Low to R-3 High, was raised in April to R-2 Middle indicating a security of investment quality with adequate protection of principal and interest.

In light of the statements made by the Bank of Canada, and the increase in rating, we did not exercise our call option.

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Our understanding at present is that we will have to wait until Parliament passes special legislation before we recover our investment. The Minister of State for Finance has announced that all depositors would recover the full amount of their principal plus accrued interest to September 01. Because this is a capital investment, this will have a nominal effect on our capital reserves.

We have no investment with the Northland Bank.

In March we placed a hold on dealings with both the Northland Bank and Canadian Commercial Bank and have been monitoring progress together with other Western-based banks. As a consequence, we have limited our exposure with certain institutions, as is evident from the attached analysis of our investment portfolio by institution.

If necessary, we will report further on this situation. In the meantime, this report is presented for information purposes.

N. Behan

for
Howard Karras
DIRECTOR FINANCE

Attach.

ANALYSIS OF INVESTMENT PORTFOLIO BY INSTITUTION
As at 1985 September 03

Financial Institution (Head Office)	Amount Invested \$ Million	Inv. Limit(1) \$ Million	Dominion Bond Rating(2)	1984	
				Ranking of Financial Assets	Total Assets of Can. Inst. \$ Million

CANADIAN OWNED BANKS - SCHEDULE A

1. Royal Bank (Montreal)	18	-	R-1 M	1	88,003
2. Bank of Montreal (Montreal)	9	-	R-1 M	2	76,491
3. Canadian Imperial Bank of Commerce (Toronto)	8	-	R-1 M	3	68,117
4. Bank of Nova Scotia (Halifax)	1	-	R-1 M	4	59,123
5. Toronto-Dominion (Toronto)	7	-	R-1 M	5	46,597
6. National Bank (Montreal)	-	12	R-1 L	8	19,250
7. Continental Bank (Toronto)	3	12	R-2 H	16	5,708
8. Mercantile Bank (Montreal)	-	on hold	R-2 H	19	4,886
9. Canadian Commercial (Edmonton)	3	on hold	R-2 M	23	3,086
10. Bank of British Columbia (Vanc.)	9	15	R-2 H	24	3,067
11. Northland Bank (Calgary)	-	on hold	N/A	39	1,080
12. Western and Pacific (Vancouver)	0.5	on hold	N/A		
	<u>58.5</u>				

51%

FOREIGN OWNED BANKS - SCHEDULE B (4)

13. Citibank Canada (Toronto)	5	10	R-1 H	26	3,000
14. Barclay's Bank of Canada (Toronto)	-	8	R-1 M	34	1,497
15. National Westminster Bank of Canada (Toronto)	8	8	R-1 H	44	1,009
16. Bank of Tokyo Canada (Toronto)	1	5	N/A	66	595
17. Hongkong Bank of Canada (Vanc.)	-	10	N/A	70	520
18. Morguard Bank of Canada (Vanc.)	-	on hold	N/A	93	322
19. Dai-Ichi Kangyo Bank Canada (Tor.)	1	7	R-1 H	-	299
20. Bank of Credit & Commerce Canada (Montreal)	1	on hold	N/A	-	256
21. Sanwa Bank of Canada (Toronto)	-	5	R-1 H	-	229
	<u>16</u>				

14%

OTHER INSTITUTIONS

22. Vancouver City Savings Credit Union (Vancouver)	2		N/A	35	1,335
23. B.C. Central Credit Union (Vanc.)	3	5	N/A	43	1,031

FEDERAL AND PROVINCIAL

Treasury Bills - Federal	27				
- B.C.	7				
B.C. Development Bonds	1				
	<u>35</u>				

4%

TOTAL INVESTMENT PORTFOLIO

114.5 100%

Notes

(1) This limit is set by Finance, subject to regular review.

(2) R1 - high grade prime credit

R2 - medium grade credit

R3 - below medium grade credit

N/A - the institution has not made application to the Dominion Bond

Rating Service for rating

The relative standing within the rating classification is indicated by high (H), middle (M), low (L). By definition, it takes a very strong company to be classified as a middle or high R-1.

(3) This is a ranking of all Canadian financial institutions, i.e. Banks, Trust Companies, Credit Unions, by the Financial Post, based on the total assets of the Canadian company.

(4) All investments with Foreign owned Schedule B banks are guaranteed by the parent.

