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**Global Banking and Financial Services to Immigrants in Canada and the
United States**

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Abstract: It is important to consider how financial institutions are adjusting their operational strategies because of the changing dynamics of financial-resource and population flows. This paper compares the ways in which globally prominent banks provide financial services to immigrants in Canada and the US, and addresses the following two research questions: 1) How has HSBC reacted strategically and operationally to people-money co-movements involving immigrants, in which HSBC has ethnic assets, in the US and Canada? 2) What are the similarities and differences in HSBC's strategic choices in entering or expanding in the San Francisco and Vancouver areas and what explains such differences?

Key Words: global bank; financial service; Asian immigration; HSBC; San Francisco; Vancouver

Introduction

Given the unprecedented linked global flows of capital and population in recent years, it is important for research on financial globalization and immigration studies to consider whether and how financial institutions are adjusting their operational strategies because of the changing dynamics of financial-resource and population flows. Using HSBC as a primary example, this paper compares its financial services to immigrants in Canada and the US, and seeks to address the following two research questions:

1. How has HSBC, a huge global bank, reacted strategically and operationally to people-money co-movements involving ethnic populations in which HSBC has ethnic assets, in selected areas of the US and Canada?
2. What are the similarities and differences in the strategic choices made by HSBC in entering or expanding in the San Francisco and Vancouver metropolitan areas – two areas with significant ethnic Chinese immigration – and what explains such differences?

In taking on these questions, this paper represents a new exploration of some aspects of the accelerating flows of money, goods and services, and human beings across borders in North America (Gilbert 2005). Many studies of the impacts of financial globalization and of migration flows on Canada and the US have been conducted. But these two topics are usually examined in isolation: studies of the global geography of money and finance typically discount the flow of people; and immigration studies usually do not focus on the money flows that accompany them (Some exceptions include DeVoretz and Pivenenko 2005; Dymiski and Li 2004; Fong 1994; Ley 2003 and 2005; Li, P. 1993 and 1998; Li, Zhou, Dymiski, and Chee. 2001; Mitchell 2004; Pollard 2003; Sassen 1990; Wong and Ho 2006; Zhou and Tseng 2001). Our study relates these two processes, coupling aspects of financial globalization to population flows and to financial firms' strategies for these two North American nations.

Global banks' presence in host countries can take quite different forms. Foreign banks frequently operate offices, not branch networks; these serve primarily as global outposts for their headquarters' cross-border financial flows. In other cases, global banks take over entire branch networks and deliver primary banking services throughout host country markets. In some cases, foreign banks take an intermediate position, competing with domestic banks in selected customer markets. A recent study found that foreign banks sometimes provide local banking services even when their offices are not licensed as commercial banks in the host country (Dymiski and Li 2004). In general, the extent of foreign banks' domestic-market activity is contingent on these banks' objectives

and strategies in global financial markets, on national regulatory regimes, and on regional and local economic dynamics. This study evaluates how these factors differentially impact the local roles played by one key London-based global bank in US and Canadian markets – HSBC, formerly the Hong Kong Shanghai Banking Corporation.¹ Using HSBC, we investigate whether global financial institutions have taken a more prominent and active role in immigrant integration and economic dynamics in their Canadian operations than in the US; and, if so, what lessons can be learned from the perspectives of financial regulation, economic development, and multicultural community development. Specifically, the paper will: 1) summarize relevant portions of the literature on financial globalization and people-money co-movements in Canada and the US; 2) examine the relationship between HSBC and people-money co-movement in the contexts of financial structure and immigration in the two countries; 3) evaluate the similarities and differences in HSBC’s operations in the two countries, and especially in San Francisco and Vancouver as focal points for ethnic people-money co-movements linked to HSBC’s ethnic assets; 4) explore the factors underlying the differences; and 5) summarize our findings and discuss a preliminary policy implication.

This study draws on existing academic and policy literatures, company and financial-press reports, American and Canadian census data, field observations and 19 in-depth semi-structured interviews conducted in either English or Mandarin in the San Francisco, Montréal, Vancouver and Toronto areas in 2005 and 2006. Interviewees included 15 bank officers, ranging from top executives to branch managerial personnel in HSBC and two Canadian banks, as well as long-time Vancouver residents, who were recruited via the snowball method. Interviews lasted 40 minutes to two hours. Field observations of 12 HSBC “Asian-serving” branches were also conducted. Such methods permit us to use a multi-dimensional lens for observing and making sense of HSBC’s operational similarities and differences in the two different countries examined here.²

Financial Globalization and Money-Population Co-movement

One element of contemporary financial globalization involves the acquisition of stakes in local banking and financial markets by overseas banks. One pattern is for mega-banks headquartered in Europe and the US to acquire banks in each other’s country, while another is to acquire stakes of banks in large emerging-market countries, many of which are also immigrant-source countries. These acquisitions or stakes are footholds for accessing these nations’ consumer markets and for providing cross-border financial activities. One extreme example is Mexico; at present, every large bank in

¹ Interestingly, it is only in Hong Kong that the full name of HSBC in both Chinese and English can be seen to spell out: “The Hong Kong and Shanghai Banking Incorporation Limited.”

² For a methodological discussion on interview methods, please refer to Crouch and McKenzie (2006).

Mexico is being operated as a subsidiary of a foreign bank (Dymski 2005). The United States and Canada are both countries receiving immigrant flows; and banks in both nations have acquired stakes in immigrant-source countries' banking markets (*The Globe and Mail*, March 19, 2007; *The Vancouver Sun*, September 12, 2005).

Another common feature of globalization is the bi-directional cross-border flow of money and people – immigrants, guest, or undocumented workers flow one way, remittances the other. Remittances sent from destination countries to origin countries have been studied and reported extensively.³ The co-movement of money and migrants in the same direction, however, has only recently attracted attention, especially situations in which immigrants and money from countries of origin both enter destination countries (APF and CCPIT 2005; DeVoretz and Vadean 2006; Ley 2003; Li P.1992; 1993 and 1998; Wong 1993 and 1995; Wong and Ho 2006; Wong and Netting 1992; Wong and Ng 1998). In particular, Wong and Ho (2006) incorporated immigrant landing data and the Longitudinal Survey of Immigrants to Canada (LSIC) study to analyze the scope of Chinese immigration and capital flows both at the time of arrival and afterward. Their results revealed that between 1986 and 2002, Canada received 737,351 ethnic Chinese immigrants along with \$14.9 billion they brought with them, almost 1.6 times greater than the money brought by all other immigrants combined. Within the first six-month period after their arrival, 10% of all Chinese immigrants and 25% of Chinese business immigrants continued to receive money from sources outside of Canada.

Similarly, using the 1992 and 1996 Canadian family expenditure survey under different scenarios in a four-stage life course framework, DeVoretz and Vadean, demonstrated that “changes in household composition (spouse at home or away), family reunification, altered immigrant status (temporary or permanent) and the possibility of intermittent return migration all will affect the size and direction of transfers” (2006, 5). Their findings revealed that many immigrant female-headed households receive money transfers across national borders. They argued that “these alternatives were a by-product of Canadian immigration policy and the consequence of the presence or absence of a spouse and/or dependents” (ibid. 25), reflecting the astronaut family phenomenon. This trend of transnational co-flows of population and capital has, to a large extent, emerged as the result of newer waves of immigrants who possess more substantial financial wealth than did their predecessors. This is the result of several intertwined factors: economic globalization; shifting geopolitical dynamics;

³ See for instance, Adams 2004; Aescobar 2004; Dymski 2005; Glytsos 2005; Hiebert and Ley 2006; Orozco 2004; Preston, Kobayashi and Siemiatycki 2006; Rapoport and Docquier 2005; Rodríguez-Nova 2005; Straubhaar and Vadean 2005.

sending societies' economic development, which produces an increasing number of middle- or upper-middle class emigrants; and also changes in host societies' immigration policies, which increasingly seek to recruit potential capitalists and highly-skilled immigrants (Li, P. 1993, 1997, 1998, 2003, and 2005; Li ed. 2006). One spatial consequence of such new dynamics is immigrant suburbanization (Li 1998). US social scientists have recently highlighted the suburbanization trend among immigrants since the release of 2000 census data (e.g., Allen and Turner 2002; Clark 2003; Fan 2003; Logan 2001; Logan, Alba, and Zhang 2002; Ma 2003; Tolbert 2002). Canadian scholars, however, have documented this transition extensively since the 1990s (see, for instance, Hiebert 1998; Li, P. 1992; Lo and Wang 1997). As the result of changing immigrant profiles and local dynamics, the portable assets brought in by immigrants must be channeled into destination societies' financial structures before their wealth-generating potential – combined with the human-capital assets possessed by these immigrants – can be fulfilled. In the meantime, overseas investment money parallels immigrant flows and has to be managed.

However, there remains a paucity of studies specifically addressing the roles of financial institutions in people-money co-movements. There is little scholarship about how financial institutions operating in the receiving country tap into the financial resources of the new immigrants; how destination country banks facilitate immigrant integration and whether they make any accommodations for immigrants' community-building and economic-development needs; and how different types of financial institutions function differently as they relate to these communities.

Although the globalization process has undermined the sovereignty of the nation-state, the importance of the nation-state has not diminished (Coleman and Porter 2003; Mosley 2005; Panitch 1997; Weiss 2005). Instead, national financial regulatory stipulations continue to regulate the numbers and transactions of both domestic and foreign banking institutions. The existing literature has shown that when national regulatory regimes permit, immigrants gain advantages from creating formal financial institutions that can capture and re-circulate their funds while making executive decisions on investing in their communities, as is the case in the ethnic banking sector in the US (Ahn and Hong 1999; *LA Business Journal* October 9-15, 2006; Li, Zhou, Dymski and Chee 2001; Li, Dymski, Zhou, Chee and Aldana 2002; Lin 1998; Pucell and Warf 2006; Smith 1995). Pollard (1995, 1996 and 1999), for instance, analyzes banking fluctuation and argues that the relatively permissive regulatory regime in California has led to a booming retail banking sector. Her argument helps to explain the proliferation of Chinese- and Korean-owned US-chartered banks, and the emergence of Vietnamese-American owned banks in California (Ahn and Hong 1999; Li, Zhou, Dymski and Chee 2001; Li, Dymski, Zhou, Chee and Aldana 2002; *New York Times* January 19, 2007).

This situation contrasts sharply with the less-developed ethnic banking sector in New York and in other major immigrant gateway cities (Li and Dymski 2007). By tapping into the social and financial capital of immigrants, especially in those immigrant-concentrated metropolitan areas, these ethnic/immigrant banks have filled in the void left by the departure of many banks. Dymski and Li (2004) also reveal how diasporic Asian banks have followed their customers and played a role in meeting banking needs in these areas, even when they are not officially chartered under US law. They coined the term of “ethnic assets” among foreign and/or global banks, and the term applies if banks possess a familiarity with immigrants’ native languages, cultural traditions, and business practices in the countries they operate. When a foreign bank possesses ethnic assets, it is likely to capitalize such assets and play an active role in immigrant financial integration. Pollard and Samers (2006) reveal the roles of western financial institutions, including that of HSBC, in the development of Islamic banking and finance in recent years. Despite these efforts, however, there is a lack of scholarly work examining global mega banks roles in immigrant community development in receiving countries. Our current study aims to ameliorate such a research gap.

HSBC and People-Money Co-movement

HSBC has a unique niche among the world’s megabanks. It is the fourth largest bank in the world, according to The Banker’s 2005 rankings, with \$1.54 trillion in assets. The Economist singled it out in 1999 as one of only two true ‘global’ banks.⁴ It operated in 76 countries with 9,500 offices and was rated as the 29th most valuable brand in the world in 2005 (HSBC Bank Canada 2005). HSBC has made itself into the “world’s local bank” by aggressively buying banks around the world. With its roots and 140-year history in Asia, it possesses ethnic assets among members of Asia’s diasporas. Its operations in North America reflect its roots and corporate strategy as well as the national and local parameters that guide its operations. Table 1 reveals differential financial structures in Canada and the US and HSBC’s branch network in six large Asian immigrant gateway areas of the two countries. It demonstrates the top five banks in Canada (known as the “Big Five”) have a lion’s share of Canadian total bank assets, whereas the remaining 43 domestic and foreign banks combined only count 7% of total assets in the country. Given such differences, the questions are whether HSBC operates differently in Canada than in the US, and if it indeed has followed the money-population co-movement from Asia to North America?

⁴ The following summary passage from *The Economist* is accurate and provocative: “Only Citibank, which caters to a tiny, upmarket clientele in most countries, and the Sino-British HSBC, which lacks a substantial American retail presence, are true ‘global’ retail banks” (August 28, 1999). The statement about HSBC’s tiny U.S. presence is outdated.

HSBC did not start its aggressive expansion until the 1980s when it bought a 15% share of Midland Bank, one of the UK's largest and most globally connected banks. In 1992, HSBC gained full ownership of Midland. This gave it a major market presence in both European and US markets, and completed the shift of its global headquarters from its historical home in Asia to the UK. It gained its initial foothold in the US, as Midland had acquired Marine Midland of Buffalo, New York, a sizable regional bank in 1980. Similarly, HSBC follows suit as non-bank lending markets have expanded in the US. In 2003, HSBC bought Household Finance Corporation (HFC). HFC is the second-largest home mortgage and consumer lender in the US, and also has a large credit-card base. This shows that HSBC has expanded its US operations mainly through a banking acquisition with an East Coast focus (as well as through a non-banking acquisition); by contrast, on the West Coast it grew slowly, and did not merge with local banks.

HSBC's presence in Canada's banking market began in 1981, when it established Hongkong Bank of Canada as a wholly owned subsidiary. This bank was located in Vancouver, in recognition of HSBC's Pacific Rim orientation. Midland Bank Canada's business was transferred to Hongkong Bank in 1988, in the wake of the HSBC-Midland merger. Hongkong Bank engaged in several acquisitions: Bank of British Columbia (1986), Lloyds Bank Canada (1990), ANZ Bank of Canada (1993), Barclays Bank of Canada (1996), and National Westminster Bank of Canada (1998).⁵ When this institution was rebranded with the HSBC name in 1999, it had 116 branches and was the second-largest international bank operating in Canada. The HFC acquisition also included an HFC subsidiary in Canada, as HFC had acquired Canada's first loan company, Central Finance Corporation, in 1933 and renamed it HFC Canada.

⁵ This information was taken on February 16, 2006 from HSBC's "Group history" on its webpage, http://www.hsbc.com/hsbc/about_hsbc/group-history?cp=/public/groupsite/about_hsbc/en/group_history_1980_1999.html

Table 1. Financial Structure and HSBC in Canada and the U.S.

	Canada	The U.S.
Bank charter	Federal	Federal and state
Number of banks	48 (2006)	8,836 (2005)*
Persons per bank**	681,879	33,967
Top five banks' share of total assets nationwide (2005)	93%***	34%
HSBC branches	Montréal 5 Toronto 25 Vancouver 40 LA 6 New York 147 San Francisco 3	

Sources: Office of Superintendent of the Financial Institutions Canada, retrieved November 12, 2006, from http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?DetailID=568; Federal Deposit Insurance Corporation (FDIC) Institution Directory, <http://www2.fdic.gov/idasp/>; and FDIC Table CB02: Changes in Number of Institutions, FDIC-Insured Commercial Banks, 1934–2004, from <http://www2.fdic.gov/hsob/hsobRpt.asp>; HSBC branches: www.HSBC.com; Unless otherwise noted, web-based data were accessed on February 15, 2006.

Note: *includes all Canada- or US-chartered domestic banks and foreign bank subsidiaries; the US total does not include conversions from savings and loans;

** Canadian and US population figures are from, respectively, the October 2006 estimate (retrieved March 19, 2007, from <http://www.statcan.ca/start.html>) and 2005 American Community Survey (which does not include people living in group quarters). Therefore, US figure represents some undercount.

Therefore, HSBC's Canadian operation has expanded primarily through bank acquisitions; and in contrast to those in the US, these have had a clear West Coast focus. One can conjecture about the basis for this differential strategy that in the US, HSBC has been interested in establishing a general banking presence, while in Canada it has focused on a region in which its ethnic assets – its link to the Asian diaspora – can be deployed. We next examine the validity of this assumption further in the following section.

HSBC's slogan refers to the fact that it attempts to take advantage of and adopt the successful practices of participants already operating in the diverse banking markets where its branches are located. This is exemplified by the correlation between its operations in Vancouver and Hong Kong and other Chinese immigrants who brought money to Canada (Table 2). After the 1984 Sino-UK joint-declaration of returning Hong Kong to Chinese rule in 1997, many people in Hong Kong intended to emigrate in order to seek safe havens for their investments. The Canadian government introduced the "investor stream" in immigration programs in 1986 for those possessing net worth of CAD\$800,000 and more who are willing to make no-interest investments of CAD\$400,000 or more for five years. The new program immediately drew large numbers of immigrants from Hong Kong

and other ethnic Chinese, as the total numbers and the average amount of money brought in jumped dramatically in 1987 from previous years' totals. In the few years after, immigrant numbers and money volumes continued at peak levels. Therefore, it is highly unlikely that HSBC's acquisition of the Bank of British Columbia in 1986, which gave it a strong foothold in British Columbia and status as a local bank, was a pure coincidence. In fact, HSBC's websites in both English and Chinese offer a three-tier program, including business loans, to facilitate the entry of investor immigrants (www.hsbc.ca). Even today, the largest customer group for HSBC remains Chinese from Hong Kong, since Hong Kong immigrants are most familiar with the HSBC brand, followed by those from Mainland China and Taiwan. These deposits and investments have become the main lines of business in some branches. This line of business also includes those return migrants who go back to Asia while still keeping their deposits in Canada as a safe haven or for their retirement funds (interviews #11, 13, 14 and 18).

HSBC's connection to Asian money-population co-movement is also reflected in its branch network locations. For instance, almost all HSBC bank branches in San Francisco and Vancouver areas typically locate in or adjacent to neighborhoods with substantial Asian populations. Figure 1 reveals current HSBC branch locations. It reveals the branches HSBC acquired from former Bank of BC are scattered all across the Vancouver area, whereas – with a few exceptions – other HSBC branches mostly locate in Chinese concentrated areas such as Richmond where all four branches exist in tracts that are majority Asian. In Vancouver, only six branches – fewer than one-quarter of the total – are found in areas with less than 25% Asian population. Three branches, including the Vancouver Main and Wayfoong House branches, occur at the edge of Vancouver's Chinatown. In the San Francisco Bay Area, all three HSBC branches locate in or adjacent to the tracts with the largest Asian populations (Figure 2). The Montgomery Office and Oakland Office are next to and inside San Francisco and Oakland Chinatowns respectively. The newer Irving Office is in the Sunset District, an area of more recent Chinese immigrants. All three offices are within two miles of more than half of majority Asian tracts in the San Francisco-Oakland area.

Given HSBC's aggressive market-expansion strategy, and its expertise with Asian markets and customers, it is remarkable that it has very different levels of institutional presence in the six Asian immigrant gateway areas (Table 1). The next section will address the causes of such differences, examine how HSBC utilizes its ethnic assets in financial transactions, and explore what roles it plays in Asian immigrant communities.

HSBC Branch Locations in Relation to Chinese Populations Vancouver Area

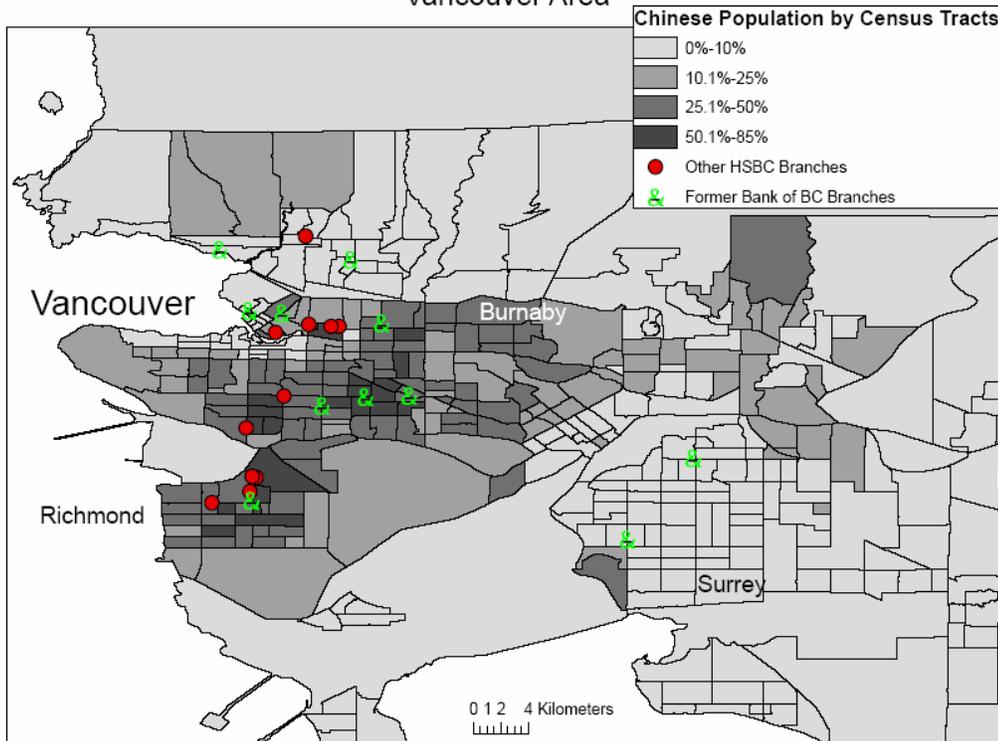


Figure 1

Source: 2001 Census of Canada; HSBC Website

HSBC Branch Locations in Relation to Chinese Populations San Francisco / Oakland Area

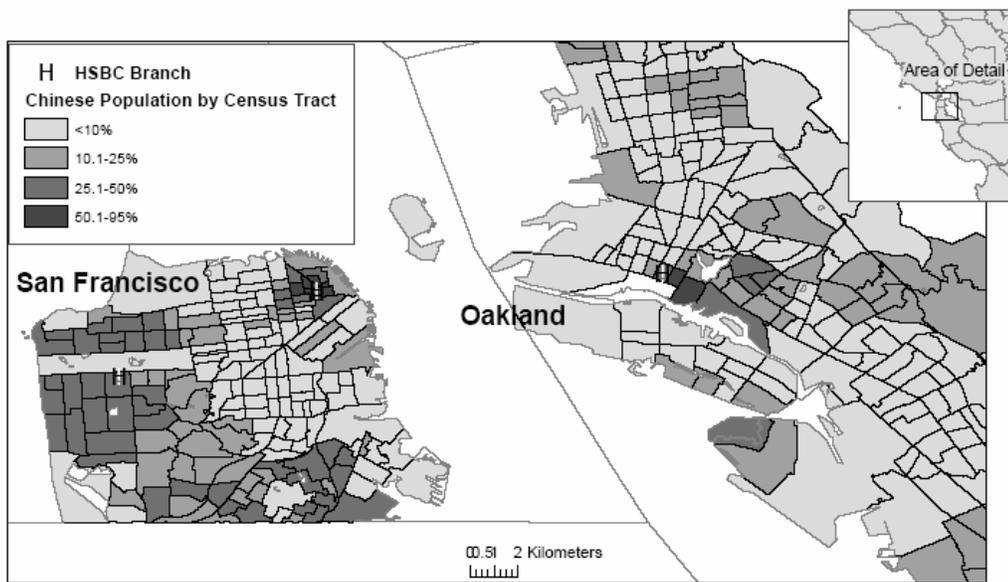


Figure 2

Source: U.S. Census Bureau, Census 2000, HSBC Website

HSBC in San Francisco and Vancouver Metropolitan Areas

There is no doubt about the importance of urban areas in contemporary society, as centers of economic activities, as well as magnets for immigrant inflows and population growth. The San Francisco Bay Area and Vancouver have been important metropolitan areas and ports for Asian trade, especially giving the recent rise of China and India in the global economy. The vital role and rivalry between the two metropolitan areas are reflected in former Canadian Prime Minister Paul Martin's remarks in September 2005: "Statistically economic performance when you read about it is compared country to country. But the fact is more and more competition is being waged by major metropolitan centres, our cities. It is Vancouver against San Francisco; it is Montréal and Toronto against Shanghai and Bangalore." (quoted in <http://www.canada.com/national/story.html?id=f794ba49-660d-4077-8920-6e9fe2ba4c22>)

Table 2: Chinese Immigrants, Money and HSBC in Canada								
Year	Total emigration from Hong Kong	HK landed immigrants in Canada	HK landed immigrants in Canada as % of total HK emigration	HK landed immigrants in Canada as % of total landed immigrants in Canada	Total Chinese landed immigrants in Canada	Mean Money in possession at time of immigration (Canadian \$ in thousands)	HSBC branch opening in Vancouver (including acquisition)	HSBC bank acquisition
1980	22,400	3,874	17.3%	2.7%	12,839	n.a.	1	
1981	18,300	4,039	22.1%	3.1%	13,837	n.a.		
1982	20,300	4,452	21.9%	3.7%	10,747	n.a.		
1983	19,800	4,238	21.4%	4.8%	9,559	n.a.		
1984	22,400	5,013	22.4%	5.7%	10,782	n.a.		
1985	22,300	4,517	20.3%	5.4%	9,683	n.a.		
1986	19,000	4,318	22.7%	4.4%	9,076	\$24,253	21	Bank of BC
1987	30,000	12,618	42.1%	8.3%	21,674	\$27,192	3	
1988	45,800	18,355	40.1%	11.3%	31,248	\$27,757		
1989	42,000	19,935	47.5%	10.4%	31,466	\$37,755		
1990	61,700	30,045	48.7%	13.9%	44,895	\$25,625	1	Lloyds Bank Canada
1991	59,700	22,562	37.8%	9.7%	43,349	\$21,100		
1992	66,200	39,356	59.5%	15.4%	58,847	\$19,709		
1993	53,400	36,654	68.6%	14.3%	57,742	\$22,351		ANZ bank of Canada
1994	61,600	44,223	71.8%	19.7%	65,363	\$19,444	1	
1995	43,100	31,770	73.7%	14.9%	53,630	\$15,740		
1996	40,300	29,985	74.4%	13.3%	61,154	\$15,831	1	Barclays Bank of Canada
1997	30,900	22,251	72.0%	10.3%	54,957	\$16,593	2	
1998	19,300	8,087	41.9%	4.6%	35,409	\$16,739		Nat'l Westminster Bank of Canada
1999	12,900	3,663	28.4%	1.9%	39,002	\$22,548	1	
2000	11,900	2,858	24.0%	1.3%	43,941	\$17,336		
2001	10,600	1,963	18.5%	0.8%	46,510	\$15,326		
2002	10,500	1,541	14.7%	1.3%	39,058	\$14,739		
2003	9,600	1,469	15.3%	1.3%	37,705		1	
Total	754,000	357,786			842,473	Average\$21,178	32	

Sources: Li P 2005, table 1; HK emigrant source: <http://www.info.gov.hk/yearbook/>;

Canada Immigration: CIC Canada 2004 Immigration Overview <http://www.cic.gc.ca/english/pdf/pub/facts2004.pdf>

Chinese immigrants and money in Canada 1980-2002: Wong and Ho 2006, Table 13.1; HSBC branches: HSBC

Table 3a : HSBC Small Business Loans in Alameda (Oakland) and San Francisco Counties (in USD\$,000)

	Loan amount ≤\$100,000		Loan amount \$100,000-249,999		Loan amount >\$250,000		<i>Total</i>		Loans to business w/gross annual revenue ≤\$1mil		% to business w gross annual rev ≤ \$1mil	
Year	Loan No.	Amount	Loan No.	Amount	Loan No.	Amount	Loan No.	Amount	Loan No.	Amount	Loan No.	Amount
2005	67	\$3,190	9	\$1,905	4	\$2,854	80	\$7,949	59	\$5,335	73.8%	67.1%
2004	17	\$1,252	6	\$968	3	\$2,868	26	\$5,088	8	\$1,595	30.8%	31.3%
2003	6	\$306	3	\$575	3	\$2,507	12	\$3,388	5	\$501	41.7%	14.8%
2002	4	\$107	1	\$126	4	\$2,483	9	\$2,716	2	\$27	22.2%	1.0%
<i>Ave</i>	<i>13</i>	<i>\$694</i>	<i>3</i>	<i>\$511</i>	<i>2</i>	<i>\$1,530</i>	<i>18</i>	<i>\$2,734</i>	<i>11</i>	<i>\$1,065</i>	<i>24.1%</i>	<i>16.3%</i>

Source: FFIEC disclosure reports, various years; <http://www.ffiec.gov/craadweb/DisRptMain.aspx> last accessed: November 20, 2006

Table 3b: HSBC All Business Loans in British Columbia (in CAD\$,000)

	Loan amount ≤\$100,000		Loan amount \$100,000-249,999		Loan amount \$250,000-999,999		Loan amount \$1,000,000-4,999,999		Loan amount ≥\$5,000,000		<i>Total</i>	
Year	Firm No.	Amount	Firm No.	Amount	Firm No.	Amount	Firm No.	Amount	Firm No.	Amount	Firm No.	Amount
2005	3,919	\$108,747	1,469	\$228,994	1,947	\$976,177	1,076	\$2,369,195	570	\$11,388,364	8,981	\$15,071,477
2004	4,481	\$126,233	1,555	\$242,494	1,858	\$923,168	989	\$2,149,049	517	\$10,337,006	9,400	\$13,777,950
2003	4,740	\$130,051	1,557	\$240,569	1,027	\$872,372	1,521	\$1,865,252	425	\$8,560,787	9,270	\$11,669,031
2002	4,435	\$134,676	1,662	\$258,700	1,681	\$826,922	878	\$1,863,209	394	\$7,994,052	9,050	\$11,077,559
<i>Ave</i>	<i>4,394</i>	<i>\$124,927</i>	<i>1,561</i>	<i>\$242,689</i>	<i>1,628</i>	<i>\$899,660</i>	<i>1,116</i>	<i>\$2,061,676</i>	<i>477</i>	<i>\$9,570,052</i>	<i>9,175</i>	<i>\$12,899,004</i>

Source: HSBC Public Accountability Reports, various years; <http://www.hsbc.ca> last accessed: November 20, 2006

Despite much discussion of the 21st Century as the “Pacific Century,” the financial market in both the US and Canada remains dominated by their respective eastern financial centers: New York in the US and Toronto in Canada. In the US, San Francisco’s great bank, Bank of America, was acquired by North Carolina-based Nationsbank in 1999. San Francisco’s financial center activities are small in scale compared to those of New York. In Canada, some resistance to the eastern domination of banking practices has emerged. British Columbia supported the establishment of BC-based financial institutions and opposed domestic mega-bank merges (McBride 1998; Tickell 2000). Such an east/west imbalance in the Canadian financial structure might have presented one more opportunity for foreign banks, as is suggested by the contrast between HSBC’s differential presence in the east and west of both the US and Canada.⁶

HSBC has a stronger presence in the Canadian West, especially in the Vancouver area. British Columbia’s share of HSBC’s performing loans was 48.8% in 2005, up from the 48.5% in 2004, compared with Ontario’s 25.6% and 26.2%, respectively, in the same years. HSBC plans to further expand its network, especially in Alberta and greater Toronto (HSBC Bank Canada 2005). On the other hand, its American banking operations are much stronger on the East Coast, due to the location of the two US banks it acquired – Republic National Bank, directly; and Marine Midland, indirectly. At present, HSBC has a total of 381 offices in the State of New York, compared to a mere nine offices in the State of California, this despite the fact that California is home to the largest Asian population in the nation (4.3 million versus New York’s 1.2 million in 2004). HSBC’s networks of three branches in metro San Francisco and 32 branches in metro Vancouver share some similarities, but also reveal sharp contrasts in their operations.

Tapping into HSBC’s Image as “The World’s Local Bank”

In both the San Francisco and Vancouver metro areas, HSBC seeks to function as a locally embedded global bank. One HSBC banker said this about HSBC when she compared it to mainstream banks: “Other banks have a local network but we have a more international network, which is one of HSBC’s major strengths. So we target clients with international needs.” A top executive of one large Canadian bank commented this way, HSBC “got into Canada and acquired Bank of BC, and so established in B.C. and then expanded. They are a true global bank, much, much larger than we are. They have been allowed to merge around the world, and we haven’t enjoyed that luxury here... They

⁶ While not the central focus of our current pilot project, we notice and are reminded frequently the differences of HSBC’s operations in the East and West Coasts in America and Canada respectively.

have adapted and tapped into an immigrant market, wherever they operate ... as the global bank is actually a local one” (interviews #2 and 21).

HSBC’s global image and reality have materialized in North America with the bank’s extensive global branch network, world reputation, and brand recognition, especially in Asia. HSBC continues to be the largest bank in Hong Kong and is also the largest foreign bank in Mainland China. Given HSBC’s roots in Hong Kong and Shanghai (it opened in both cities in 1865, Bradshe and Barboza 2007), it is obvious that the bank is the most popular among immigrants from Hong Kong. Similarly, many customers with large amounts of capital and frequent international transactions also prefer HSBC due to its global presence. In 2005, Hong Kong still accounted for 0.2% of total assets and 2.9% of liabilities for HSBC Bank Canada; by contrast, its operations in the rest of the world outside North America accounted for 2.2% and 5.5%, respectively (HSBC Bank Canada 2005). HSBC Bank Canada has international financial services that aid Canadian companies in their expansion overseas. In effect, it seems to be capitalizing on its unique niche very adroitly. While backed by its globally prominent banking network and parent company,⁷ it nevertheless has yet to have a big corporation mentality. The turn-around and decision-making time is rapid, and the differentiation between full-service and retail branches seems to bolster its high efficiency. For instance, the main office in downtown Vancouver centralizes the evaluation and approval of letter of credit applications for those involved in import/export, and customers enjoy HSBC’s good exposure and name recognition in international transactions. HSBC’s personal financial services include direct debit accounts from overseas. Its international network also benefits their dealing with large corporate clients, especially those with international subsidiaries. HSBC has a tiered structure to handle their diverse clientele base ranging from individual customers to mega corporations. It includes “Premier Banking” with individuals who have \$100,000+ in investible assets, “Private Banking” for those with \$1-2 million investments; commercial banking dealing with companies with \$15 million to \$2 billion in sales revenue, and other small businesses; and its corporate banking group handles mega corporations with over \$2 billion (interview #1, 2, 11c, & 14).

Tapping into Asian Immigration Markets in Canada and the US

Honoring its roots and benefiting from its name recognition in Asia, HSBC in San Francisco and Vancouver both target Asians, especially the Chinese, as one of their primary client bases. This is evident in the signage, exterior design and interior layout, as well as in bank brochures and other

⁷ Such a long-standing unlimited guarantee by its parent company was discontinued in 2005, signifying HSBC Bank Canada’s growth (HSBC Bank Canada 2005).

documents, observed during fieldwork in both areas. The Oakland Branch, serving a primarily a Chinese clientele, has both HSBC's English and Chinese signs prominently displayed at its entrance (Figure 3). All its employees are bilingual, speaking English plus one or more Chinese dialects. It is on the ground floor inside the largest Chinatown commercial complex, across from a Bank of America branch and a Charles Schwab office. It signifies not only the financial potential of Chinese immigrants and their offspring, but also financial institutions' courting of Chinese clientele. This is constant with our earlier observations in the Los Angeles area. In fact, one LA Chinese American banker commented that wherever there is a Chinese bank (branch), there is a Charles Schwab (office). A similar situation also occurs in metro Vancouver. The City of Richmond has one of the largest Chinese/Asian population percentage concentrations in Canada (Edgington et al. 2006; P. Li 1992 and 1997). Its Fortuna House Branch is one of the nine full-service branches in Vancouver area that includes personal financial service (PFS), commercial banking (CMB) and customer service functions. A four-line Chinese sign in that branch states that "we can speak Cantonese; we can speak Mandarin; we can speak Fuzhounese; we can speak Minnan,"⁸ providing an unequivocal message of the language capabilities of its employees and suggesting the primary clientele of the branch (Figure 4).

⁸ Minnan is an identical spoken language as Taiwanese.

Figure 3. HSBC Oakland Chinese Branch, Oakland, California, USA



Figure 4. HSBC Fontana House Branch, Richmond, BC, Canada



Those “Asian-serving” establishments have brochures in Asian languages, most prominently Chinese. Even the names of a branch in Richmond and Vancouver respectively reflect the primary Chinese dialect their clientele speak: the former is named the “Mandarin Centre” Branch; the latter, the Kingsway and Wessex Branch, has a sign in Chinese in its parking lot saying the same, translating as “HSBC Mandarin Service Center.” In these two branches, Chinese language information is more notably displayed than in some other branches. In fact, all employees in the Mandarin Centre Branch are ethnic Chinese from Hong Kong, Taiwan, or Mainland China and speak a variety of Chinese dialects. Even branches that are not specifically targeting Chinese customers have bilingual signs or documents. A new Chinese international student at a university town in East Ontario was overjoyed when she discovered many Chinese characters on HSBC’s ABM statement. Instead of the two Canadian official languages, such statements are bilingual in English and Chinese. Such prominent display of Asian/Chinese languages makes new customers from Asia feel comfortable with the bank and more receptive to its services.

HSBC’s courting of business among Asian immigrants and contributing to communities include not only advertising in the ethnic media (TV, radio, and newspaper), but also personal touch such as participating and/or sponsoring ethnic and mainstream functions and activities. Although no policy stipulates that employees have to participate in community affairs, they often do so as outreach to their potential customers. Bank managers customarily serve on boards for both ethnic and mainstream organizations. For instance, one of our interviewees serves on the board of SUCCESS (United Chinese Community Enrichment Services Society), the primary immigrant-serving organization in Vancouver; another serves as a director of the HR MacMillian Space Centre, a former director for the Chinese Culture Centre in Chinatown, as well as a position as the president of Hong Kong Merchant Association of Vancouver for six years. The bank and its branches have also sponsored diverse community activities, ranging from the annual international “Festival of Lights” (a major Vancouver summer attraction), SUCCESS events, to donating to educational institutions and academic research, including a Simon Fraser University study on Indo-Canadians in Vancouver. HSBC offers their premises to SUCCESS with discounted rent, and its Chinatown Wayfoong House branch in Vancouver offers its executive dining room for the Hong Kong Merchant Association of Vancouver every Wednesday. One HSBC banker comments on the bank’s community involvement, “we simply try harder than other banks, since they are not locally based.” This again testifies that HSBC Bank Canada positions itself as a Vancouver-based local bank. Similarly, in the San Francisco area, HSBC sponsors the annual Chinese New Year parade in Chinatown, supports the Oakland Chinese Chamber of Commerce, and has funds for community small business lenders, low-income housing organizations, and senior housing (Edgington et al. 2006; interviews #2, 14 & 18).

1) Differing Location Patterns

The suburbanization of Asian immigrants in both the San Francisco Bay Area and Vancouver is well documented by American and Canadian scholars and reported by the mass media, especially regarding the transformation of Richmond, BC and some Silicon Valley communities such as Cupertino (e.g. Edgington et al 2006; Li P 1992; Li and Park, 2006; Wong 1998 and 2005). However, HSBC's San Francisco area operation continues to be exclusively urban-center focused compared to its Canadian counterpart, which has inroads across the entire Vancouver metro area, with its Asian-serving operations primarily in suburban areas. In the past, the Chinatowns in Vancouver and San Francisco were the center of the Chinese population and businesses in their respective metro area (Anderson 1991; Chen 2000; Hsu 2002; Ng 1999). Being no exception, major banks have had branches in these neighborhoods for quite some time. HSBC's Vancouver Chinatown branch has a history of 22 years compared to those about 10 years in Richmond. Prior to 1990, every major bank had 2-3 branches in Chinatown. Similarly, HSBC used to have three branches in Chinatown, but now only the Wayfoong House branch still remains. It largely continues to serve older immigrants with lower economic statuses, compared to the Richmond clientele, some of whom immigrated to Canada as the first wave after the 1967 immigration policy change.

As a tourist attraction and historical preservation area, Chinatown continues to attract foreign tourists from Asia, who, as older generation immigrants, feel familiar with and close to the HSBC brand and are in turn becoming another source of bank customers along with some Southeastern Asian immigrants or refugees. Now, Richmond is clearly a new center for Chinese Canadians with four branches. The situation of HSBC in the San Francisco Bay Area is rather different. HSBC established one of its first overseas branches in San Francisco in 1867 but did not resume its full operations until 2004 when its San Francisco branch re-opened. The Oakland branch in Chinatown opened in 2002. The newest Irving branch, in the Sunset District of San Francisco, did not open until the end of 2005. In contrast, the majority of the existing Southern California branches locate in suburban areas with substantial concentrations of Chinese. There is no doubt that HSBC still emphasizes the cultivation of a market within Asian American communities and businesses in California, as it intends to attract business faster and more efficiently (interviews #1, 2, 11, 15, 18, and 21). This also testifies to the continuing role of San Francisco and Oakland as immigrant gateways.

Different Development Stages, Operational Capabilities, and Expansion Plans

One key difference between HSBC's operations in Vancouver and the San Francisco Bay Area is the bank's differential stages of development and capabilities in the two locations. This difference may be surprising, since both metropolitan areas have large, long-established as well as new immigrant Asian populations and related commercial entities. "In BC the branches are fully established, while in California it is under a try-out phase; we don't have enough branches in northern California" (interview #2 and 13). HSBC currently is the largest foreign bank and the 7th largest bank overall in Canada, just behind the six largest Canadian domestic banks, though its total assets are much smaller than the others – CAD \$49 billion at the end of 2005 (HSBC Bank Canada 2005). As such, HSBC directly competes with these banks for customers though it also cooperates with them for other businesses such as credit cards and some back-office functions (interview #11). It centralizes the advertisement in different languages, and has advertised in a variety of Chinese media for many years. HSBC in the San Francisco Bay Area, however, did not start their ads on Chinese TV networks and in newspapers until 2005, and recently advertised their credit card service in Phoenix. Table 3 summarizes HSBC's business loans in San Francisco/Oakland compared to British Columbia in recent years. It reveals HSBC's loan numbers and amounts in San Francisco are only a fraction of those in B.C. HSBC does, however, make efforts to finance small businesses while collaborating with the Wells Fargo HSBC Trade Bank for trade financing business in San Francisco.

One of HSBC's major expansion plans in the US involves the increasingly large Hispanic market, especially in Southern California and in the adjacent Phoenix area. This plan is clearly linked to the rapid demographic shifts in those areas, and also reflects the current uneven and unresolved competition among different types of financial firms for portions of the potentially lucrative Latino market (Dymski 2005). HSBC's strategy is also to tap into its large branch network of more than 1500 outlets in Mexico. In short, HSBC does not want to be perceived as only a "Chinese bank" even in an area with a sizeable Asian immigrant population. In contrast, Indo-Canadians, including both immigrants and Canadian-born, are an important clientele base for some HSBC branches in Vancouver. In Richmond, for instance, to capture the city's tradition of farming and fishing, many Indo-Canadians purchase residential properties or agricultural land, in addition to their own primary residences. The majority of these customers pay off their mortgage in a year or two. So, the bank diversifies their financial services by offering wealth management. One branch has an explicit outreach and business plan, and has been very vigorous in further developing the growing Indo-Canadian market. As this type of relationship banking grows, there are cases where customers follow a particular banker when s/he moves to a different branch. This is not only a testimony of ethnic

affinity since often such cases are between a banker and customers from the same group, but also reflects long-term business relationships. Given the recent reports that India will surpass China as the largest immigrant source for Canada,⁹ it can be anticipated that the importance of business with Indo-Canadians will only grow in the Vancouver area. Other major Asian customer groups include Filipinos, Indonesians, Japanese, Koreans, Middle-Easterners, Southeastern Asians, and Singaporeans. In addition, non-Asian, Anglo-Canadian customers are also important (interviews #1, 2, 11, 12 and 14; Li et al. 2001).

Factors impacting HSBC's Operations in Canada and the US

As a London-based bank with roots in Hong Kong and Shanghai, HSBC capitalizes on its image of a globally prominent bank with a world-wide branch network that has become localized in the North American financial landscape. The similarities and differences between HSBC in Canada and the US are partially the result of different clientele bases, differential federal immigration policies, and financial regulations set by the two countries, in addition to their own corporation missions and strategies.

2) Immigrant Profiles and Clientele Base

Located on the Pacific Rim, both the San Francisco Bay Area and Vancouver are major Pacific ports for Asian trade. They are also among the major historical and contemporary immigrant gateway areas for their respective country, attracting heterogeneous immigrant groups, especially those from Asia. Both areas have the highest percentage of Asians in their foreign-born population among their respective country's major immigrant gateways, 68% in San Francisco and 66% in Vancouver (Table 4). The similarity between these two metropolitan areas belies the larger impact of Asian immigrants on Canada's smaller total population. While the US has received larger number of Asian immigrants in the past two decades, Asian immigrants have counted for much higher percentages among the landed immigrants in Canada. In the United States, on average, the top five Asian immigrant groups from 1995 to 2004 account for only about 24% of the incoming legal immigrants while in Canada the top five Asian immigrant groups comprise approximately 36% of the landed immigrant population during the same time period.¹⁰

One interesting factor about Asian immigration is the destination choices for Hong Kong immigrants: Canada is 1.1 to 5.7 times more popular as a destination compared to the US, particularly

⁹ See, for instance "Canada losing its appeal for Chinese immigrants" *Globe and Mail*, October 18, 2006.

¹⁰ calculation based on <http://Uscis.gov/graphics/shared/statistics/yearbook/2000/Yearbook2000.pdf> for U.S. and <http://www.cic.gc.ca/english/pub/facts2002/index.html> for Canada.

in 1987-1997. It was not until 1999 and after that the US received more Hong Kong immigrants than Canada (US Yearbook of Immigration Statistics 1980-2004). Vancouver and the San Francisco Bay Area are primary destinations for Hong Kong immigrants in their respective nation. Although Greater San Francisco is the top US destination for Hong Kong immigrants, its percentage of the total foreign-born population (2.8% in 2000) is much smaller than that of Vancouver (22.4%). Vancouver definitively emerges as Canada's premier destination for Hong Kong immigrants as they represent 14.8% of Greater Vancouver's total foreign-born residents in 2001. Moreover, although the size of total foreign-born population in the greater San Francisco area is 1.63 times that of greater Vancouver, the Hong Kong-born population in Vancouver is 3.26 times that of San Francisco (Table 4). Such population differences in these two metropolitan areas are a contributing factor in the differential development of HSBC in the two areas. HSBC's Hong Kong roots deeply connects with its clients. In colonial Hong Kong, where there was no central bank, HSBC functioned as a central bank by issuing currencies among other functions. When HSBC entered Canada as a Hong Kong bank in early 1980s, it drew a large clientele base among Hong Kong immigrants, many of whom were HSBC's clients back in Hong Kong. Our banker interviewees confirm the importance of Hong Kong immigrants in their business growth. One attributed HSBC's high growth in Vancouver to its "much higher proportion of Hong Kong immigrants, which has generated some significant growth," while the other said "in 1980s lots of Hong Kong immigrants came to Vancouver and HSBC began to grow" (interview #1; 11 & 23; Yan 1996).

Table 4. Foreign-Born Populations in Top Five Receiving Metropolitan Areas in the U.S. and Canada

Metro Area	Foreign-Born Population	Asian F.B. Population	Asian % of FB	HK F.B. Population	HK % of Asian
San Francisco-Oakland-San Jose, CA	1,902,304	1,298,638	68.3%	52,823	4.1%
New York, NY-NJ-CT	5,182,255	1,435,889	27.7%	40,670	2.8%
Seattle, WA	414,355	280,696	67.7%	6,285	2.2%
Los Angeles, CA	5,067,615	1,701,740	33.6%	30,564	1.8%
Chicago, IL-IN-WI	1,466,940	388,821	26.5%	4,931	1.3%
Vancouver, BC	1,163,830	769,170	66.1%	172,190	22.4%
Toronto, ON	4,065,930	1,191,140	29.3%	221,480	18.6%
Calgary, AB	394,830	122,690	31.1%	21,470	17.5%
Edmonton, AB	330,480	94,300	28.5%	14,510	15.4%
Montréal, PQ	1,243,790	101,800	8.2%	ND	ND

Source: CIC Canada 2004; U.S. Census 2000; U.S. Office of Immigration Statistics, Yearbook of Immigration Statistics 2000-2004

While Hong Kong immigrants clearly formed an early, large customer base for HSBC in Vancouver, Taiwanese—followed by Mainland Chinese—clienteles become increasingly important since the 1990s. Many Taiwanese immigrants are business or investor migrants, while mainland Chinese belong primarily to independent or family-based immigrant categories. Age structure plays a role as well, as Canadian-born Chinese of Hong Kong immigrant parents have now reached the age where they are bank customers, although without any language barrier their selection of banking services is more open (interview #13). The increasingly large customer base from Taiwan or Mainland China continues to be first generation immigrants. Although independent or family sponsored immigrants who do not have large existing assets upon arrival are often perceived by banks as less-profitable and burdensome in terms of the labor required for providing banking services, some HSBC bankers take a somewhat different perspective:

We grow with them, as they actually need more banking products and services: from deposit, personal loans, to mortgage and/or commercial loans, to financial planning, while larger customers like business or investor immigrants mainly two – deposit and financial planning. The profits for the former spread more so end up higher despite more needs for handling, whereas the latter are often courted by multiple banks and expect/demand waive of many fees, which yield low return for banks. One way for banks to handle this is to largely rely on the automation of regular transactions while providing personal services. It's important to build relationships with customers (interview #11c).

It is evident from this quote that HSBC's courting of immigrant customers is not an altruistic action, but rather makes good business sense for the bank. Indeed, our interviewees inform us that business is so good that normally a new branch in Southern California often becomes profitable after just about a year, when generally it takes a new branch about three years to break even. Similar to Chinese American banks in California, HSBC also emphasizes building a long-term relationship with their customers where they continue to practice relationship banking (interview #2 and 23; Li et al. 2001 and 2002).

Immigration Policies and Capital Inflows

One major difference in immigration policy between Canada and the US is in regard to business migrants. Given the much lower threshold of financial investments by Canada's business and investor migrant requirements than that in the US (at USD\$ 1 million), immigrants who possess lower total assets are easier to qualify as investors in Canada. The large number of such immigrants since 1986, and the financial resources they have brought, mean more supply-side opportunities for Canadian banks with these immigrants, and also imply that these recent immigrants will – as their length of time in the country increases – demand increasingly diverse services from banks in Canada. It is

estimated that the Mandarin Centre branch has the highest value per customer due to its role in catering to Taiwanese business and investor migrants. HSBC Capital, a subsidiary of HSBC, caters to business migrants by selling funds. Canada's immigration policies of courting business and investor migrants are perceived by our interviewees as very helpful for HSBC's business, as well as that of banks' overall. A study shows that between 1993 and 1995, the "Asian banking branches" in a Canadian bank reported the highest profit per FTE (CAD \$138,000 to \$150,000), compared to \$60,000 to \$138,000 among other branches (Ng and Tung 1998).

When comparing the financial needs of the independent class versus business/investor migrants, and asking about the effects of the Canadian business and investor migrant program, one banker commented:

Most of the independent class immigrants are here for good, to start a new life, find a job. Many of them might be professionals, technicians, and they have borrowing and lending needs. They need comprehensive services. Business class immigrants have already accumulated some wealth. They are more wealthy, have more liquid asset, and they are more likely to purchase investment, financial management services...The independent class immigrants are here too looking for jobs, while the business and investor class immigrants are here to create jobs ... it is also helpful in the sense that the immigration process has already done some pre-screening for the banks (for credit-checking) because they (immigrants) have to provide all kinds of proof. It (the business and investor migrant programs) is good for Canadian economy because it brings wealth into Canada. If you look around Richmond area, almost all the business establishments are from Asian immigrants' investment dollars. Without immigrants, Richmond is just a farmland. The Canadian government program is quite attractive to Asian immigrants. The US is one of the choice destinations but it has a higher threshold so Canada and Australia are the typical choice destinations (interview #13).

Similarly, another banker said:

We are relying on immigrants to fuel the economy. The immigrant mix has changed from mostly Europeans to more Asians. There is a direct correlation between the prosperity of the banking industry and immigrant programs. The business migrant programs have been hugely helpful (interview #21).

As for the impacts of Canada's official multiculturalism and immigrant integration policies versus the American assimilationist mentality, one interviewee commented that Canadian policy "is like a snowball effect. When you have an immigration policy that manages to attract Asian investors, and with the increase in the Asian immigrant population, businesses and lifestyles, it will become a destiny of choice and attract even more immigrants" (interview #13).

Financial Regulation, Structure and Impacts

Given these differences in national financial regulatory regimes, it is anticipated that domestic and foreign financial institutions play different roles in Canada and in the US. Canada has more rigid rules in establishing domestically-chartered banks, and the total number of Canada-chartered domestic banks has diminished from their peak of 36 in 1875 to 21 as of July 2006, with the “big five” banks, Bank of Montréal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, ScotiaBank, and Toronto-Dominion (TD) Canada Trust, continuing to dominate the Canadian financial sector (Clement 1975, 1977; Tickell 2000; Table 1). The Canadian financial sector is considered “strong nationally, challenged internationally” (Coleman and Porter 2003, 242).

Another key difference between the Canadian and American banking sector is that Canadian banks are all federally chartered with nationwide branches and ATM networks and permissible activities. These domestic banks are known as “Schedule I” banks. Banks were allowed to enter the insurance and trust businesses through establishing subsidiaries in 1992, breaking away from the traditional Canadian “four pillars” financial system of banks, securities dealers, trust companies, and insurance firms. On the other hand, foreign banks were first permitted to enter Canada by the “Banks and Banking Law Revision Act of 1980”, but only as fully capitalized subsidiaries, known as “Schedule II” banks (Tickell 2000). It was not until 1999 that new banking legislation allowed expanded roles by foreign banks. This policy of discouraging new entrants into the domestic banking market helped to solidify the big-five’s share of the domestic banking market. The US bank merger wave has also seen the largest US banks take an ever-larger amount of the market share. Contrasting with the Canadian case, many new US banks have nonetheless been chartered: since 1981, more than 4,200 new bank charters have been issued – a remarkable total. This continued chartering of new banks was unanticipated by the many observers for whom US bank consolidation is a natural outgrowth of “overbanking” in the US market (Dymski 1999). The US structure of banking law involves a multi-tiered complex, in which banks have either federal or state charters whose situation in each state varies a great deal despite being regulated under a relatively uniform set of national regulatory authorities.

The consequences of respective federal policies regulating financial institutions in Canada and the US are very different. The high-concentration of all Big Five banks in Toronto may well provide an opportunity for Vancouver-based HSBC Bank Canada to position itself as a local bank, and to carve into the Asian immigrant banking business more vigorously compared to its American operations. Lack of strong competition from medium or small domestic banks and other foreign

banks¹¹ makes HSBC able to directly compete with the Big Five. Even in that regard, HSBC still possesses certain advantages, especially among first-generation recent Asian immigrants. The situation in the United States is different as US banking deregulation and the structure of both federal- and state-chartered banks make it easier for ethnic minorities or immigrants to form their own banks, and in most cases, with a very small size of total assets. This financial regulation policy has resulted in a flourishing sector of Asian American owned banks, particularly in California. Therefore, HSBC faces multiple competitions in California from minority-owned and other mainstream community banks, as well as many US mainstream mega banks and foreign banks. For instance, there are about 12 bank branches close to the HSBC branch in Oakland Chinatown alone. This makes HSBC's operation in California very different compared to that in British Columbia (interviews #1, 2, 18, and 21). Table 5 reveals that HSBC in the Bay Area faces fierce competition from the Chinese American banking sector alone, not to mention other ethnic banks, in San Francisco and Oakland. It has a lower average deposit base than its Chinese American banking counterparts.

Table 5. Financial Structure in San Francisco and Vancouver Metro Areas

	San Francisco & Oakland Area	Vancouver
Number of Chinese American/ <i>Canadian</i> banks	9	0
Number of Chinese American/ <i>Canadian</i> bank branches	38	0
	San Francisco and Oakland Area	
	Chinese American bank branches	HSBC branches
Total deposits as of June 30, 2006	\$3,639,110	\$195,808
Average deposits per branch (both in thousands \$)	\$95,766	\$65,269

Source: calculation based on data retrieved from www.fdic.gov; last accessed November 20, 2006

3) Bank Practices

The entry of HSBC to the BC market testifies to its localization strategy. Instead of starting from scratch on its own, HSBC decided to acquire a failing bank, Bank of BC, in 1986. "The acquisition of Bank of BC was the most successful one," as a HSBC interviewee puts. Local residents seem to agree. A lifetime Vancouver resident commented on that acquisition, "I'd rather see it was acquired by HSBC than another Toronto-based big bank. The acquisition by HSBC made it

¹¹ Almost all other Asian foreign banks have only one single-branch operation in either downtown Vancouver or Richmond, and are largely niche-serving for their compatriots. Some have no retail functions as Schedule III foreign bank branches.

interesting and different, not simply the further growth of yet another major East Coast bank. Even its name has an advantage with a 'BC' in it. Some residents may well have considered them as another Canadian bank" (interview #13 & 17).

As stated earlier, HSBC's operation is intimately associated with Asian communities, especially immigrants. The organizational structure of HSBC in the Vancouver area reflects such a focus. A total of 17 mainly "Asian-serving" branches located in Chinatown, downtown, and East or West Vancouver are grouped together and under the jurisdiction of a BC region Senior VP of the bank, who is a Chinese Canadian.¹² This practice continues to differentiate it from the "big five" Canadian domestic banks, although the latter have also aggressively targeted the Asian immigrant market in recent years by hiring Asian language speaking employees, providing Asian language materials and having "Asian-serving" branches. Our interviewees stated "immigration patterns are closely related to bank business, now many branches (in the 17-branch areas) mainly speak Chinese. The majority of the customers speak Chinese, and most are first generation immigrants" (Interview #11, 14, 17 & 18).

HSBC attracts a large number of Asian immigrants' businesses, especially those who are recent arrivals and/or with limited English skills. One reason why HSBC flourishes in the Vancouver area in years past may well be similar to those immigrants attracted by early Chinese American banks in the US: they were discriminated against by mainstream banks. One banker interviewee from Hong Kong still remembers vividly an embarrassing incident that happened more than 30-years ago. When he just arrived in Vancouver and tried to open a bank account at a local branch of a major Canadian bank, an employee ridiculed his imperfect English and lack of knowledge of the Canadian financial system. Immigrants arriving in the past 20 years are luckier as they can locate a branch not too far from their residence and can seek help from employees who speak their languages and understand their needs. Before major Canadian banks adjusted their operations to fit the needs of immigrants, HSBC led the pack by "offering particular products at particular times with niche markets and a better cultural understanding." It captures the business of Asian immigrant households, whose deposits and total assets are on-the-average of 1.25 times that of the average Canadian households. In those early days, HSBC offered credit cards to immigrants without checking their credit and helped in their settlement despite their language difficulties and lack of credit history in Canada. They hired employees who spoke various Asian languages and promoted them to managerial positions in order to make decisions (Interviews #13 & 18; Yan 1996).

¹² The number of branches has grown to 21 as of October 29, 2006.

Conclusion

We are living in an age of international migration and financial globalization, not only in terms of the centuries-old phenomenon of people and money crossing national borders, but also in the unprecedented scope and complexity that these crossings have reached. Population and money often have a bi-directional flow, sometimes in the same direction, while opposite in others. However, only the latter has drawn widespread attention, and this attention has focused on remittances. The latter, as a result of both wealth generating in source countries and recruitment by the destination countries in the past few decades, has not been fully recognized or analyzed. With a few exceptions (e.g., DeVoretz and Pivenenko 2005; Edgington et al. 2006; Ley 2003; Wong and Ho 2006), such ignorance is evident even among the increasing theoretical and empirical literature on economic transnationalism. The evidence related to money-people co-movement provides a good framework for studying transnational movements and can add a potentially new dimension to transnational involvement.

Our study reveals that HSBC, a prominent global bank, has taken advantage of its global name but adapted itself very differently to local circumstances in its American and Canadian operations. The differential globalization strategies of HSBC are evident in their merger activity and in HSBC's operations in the two premier Pacific Rim immigrant gateway areas on the West Coast, the San Francisco Bay Area and Vancouver.

HSBC's expansion into the US market occurred via acquisitions of three venerable financial institutions from 1990-2003: Republic Bank, Marine Midland, and HFC. These involved seizing opportunities offered by financial globalization, specifically by the steady transformation of financial regulation in the post-1980 period. By contrast, HSBC's expansion into Canada resulted when it seized opportunities presented by trends in contemporary people-money co-movement across the Pacific Rim from Asia to North America. It is safe to say that the Asian co-movement of money and population to the US was, in the context of HSBC's US expansion strategy, a happy coincidence; this co-movement to Canada was, by contrast, evidently a premise of HSBC's Canadian expansion strategy.

Capitalizing on its ethnic assets and status as a global bank, HSBC has asserted itself into the local financial landscape and tapped into the Asian immigrant market in both locales, but in different ways. In Vancouver, HSBC acquired a sizable existing local bank and its branch network, permitting it to compete directly with the "Big Five" Canadian domestic banks in that metropolitan area. It has maximized the opportunities presented by Canada's east-west political economic divide, and the lack of any sizable Vancouver-based non-ethnic full-service banks, and asserted itself as a rapidly-growing

bank that is now the seventh largest in Canada. It clearly possesses a local bank mentality and is more active than most other foreign banks. In the San Francisco Bay Area, however, HSBC has only slowly gained a foothold, opening its own branches one by one and not aggressively exploiting its historical presence in the area. It faces heated competition not only from non-ethnic domestic banks, but also from US-chartered ethnic banks owned and operated by immigrants and other minorities.

Such differences between HSBC's operations in these two countries and these two areas can be attributed to several factors: the complexity of HSBC's own global strategy; the differential immigrant profiles and customer bases of these two areas/countries; differential immigrant policies, which have yielded different capital and immigrant inflows with different levels over time in the past two decades; and differential financial regulations, which present unique sets of opportunities and challenges for financial institutions in the two countries. HSBC, and other financial institutions, operate within the parameters of national immigration and financial policies, and local population and financial contexts while facilitating transnational money flows. Our study suggests that Canadian federal immigration and financial policies and Vancouver's immigration structure have contributed to the fact that HSBC has carved a greater niche in Vancouver compared to that in San Francisco.

We now turn to one policy implication of our study. It seems clear that, all things being equal, the US's multi-layered financial structure, with easier rules for bank entry, will lead to more competition among financial institutions to provide financial services for immigrants, and hence more choices of financial instruments, including more products aimed at immigrants' needs. Easier rules for bank entry have also led in some places – notably Los Angeles – to the establishment of a robust Asian ethnic banking sector, which has provided immigrants from the Asian diaspora as well as others with enhanced opportunities to establish businesses, buy homes, and otherwise invest in their communities (Li et al. 2001 and 2002; *LA Business Journal* October 9-15, 2006). Indeed, evidence from Los Angeles suggests that the success of the Asian ethnic banks has led to enhanced follow-on lending and bank branch openings by non-ethnic banks in Asian ethnic areas (Dymski and Mohanty 1999).

This does not lead to the policy conclusion that Canadian banking laws should be changed to permit easier bank entry; the discussion of nationally appropriate financial structures goes well beyond the scope of our concern here with banks' financial services to immigrants. However, it would be useful to gather information more systematically about the adequacy of the inclusion of immigrants within the national financial system. While the competition for the assets of immigrant "financial citizens" (those who possess financial capital) is clearly robust, what is not known is how adequately the process of financial inclusion is proceeding for other immigrants. Certainly, evidence

from the US suggests that this inclusion is very uneven, even in ethnic-bank-rich Los Angeles (Dymski and Mohanty 1999). A good first step would be a survey eliciting information systematically from recent immigrants across the income/wealth spectrum. If there are substantial unmet financial needs, this may lead to insights that could enhance the pace of community economic development for both immigrants and non-immigrants alike.

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