‘Orion wasn’t formed after a good lunch,’ observed David Montagu, Orion Bank chairman, 1974–79. It was the outcome of more than a year’s work of selecting shareholders, defining objectives and devising the new bank’s strategy and structure, and the origins of the project went back considerably further. Few of the other consortium banks were prepared with anything like such thoroughness, being often put together on the basis of personal friendships or correspondent relationships. The prominence of Orion’s shareholders, the reach of its ambitions and the novelty of its organization ensured that it burst upon the international banking scene with a clap of thunder. ‘Business leaders around the world,’ declared Michael von Clemm, ‘suddenly awoke to the significance of the consortium approach to banking.’

The genesis of Orion can be traced to an informal conversation at a summer school for international bankers at Queen’s University, Kingston, Ontario, in 1967, between a Chase Manhattan Bank executive and Earle McLaughlin, president of Royal Bank of Canada. The American visitor, at the behest of Chase president David Rockefeller, suggested an alliance between the banks based on a mutual 10 per cent share swap. The proposal, which might have provoked a political outcry in Canada, was out of the question, but McLaughlin was intrigued by the idea of some sort of link-up with Chase. ‘Both our banks were rather sizeable,’ he recalled, ‘and we decided that there were many deals that we could see were going to come along which would be too big for us individually. Should we get together some time?’ A month or so later in September 1967, McLaughlin and Rockefeller met at a gathering of bankers in Phoenix, Arizona, and began to formulate plans for a joint entity to operate in the burgeoning international financial markets.

In fact, the overture to McLaughlin was Rockefeller’s second attempt to form an international consortium bank to participate in the Euromarkets. The year
before, he had brought together a group of European partners comprising Banque de Bruxelles, Pierson Heldring and Pierson of the Netherlands, Stockholms Enskilda Banken and London merchant bank Rothschilds, to form a consortium bank to service European clients. But this had fallen apart at the last moment when the Swedish partner had pulled out under pressure from Hermann Abs of Deutsche Bank, who was hostile to the expansion of American banks in Continental Europe.4

CHASE MANHATTAN BANK5

At the time of the announcement of the formation of Orion in October 1970, Chase Manhattan Bank (Chase) was the third largest bank in the world with assets of $22.2 billion, surpassed only by Bank of America and Citibank. With forerunners beginning in the eighteenth century, Chase was the outcome of a merger between two medium-sized New York banks in 1955, which propelled it into the front rank. The rich and powerful Rockefeller family was closely connected with the bank, and in 1961 David Rockefeller became president and co-chief executive. Under his leadership, Chase made an energetic push overseas, increasing its foreign presence from 18 to 73 territories during the 1960s, in more than half through joint ventures. The foremost motive was to be able to service the international banking needs of rapidly expanding US multinational corporations, though Rockefeller, a ‘true internationalist’, also hoped to win local clients.6

Chase’s strategy for expansion in developed countries favoured affiliations with large local banks and joint enterprises, in marked contrast to its arch rival Citibank. Although branches afforded better managerial control, they were costly to establish, required the commitment of scarce human resources, and took time to build a local deposit base. Affiliations with indigenous banks, on the other hand, provided local currency deposits, local knowledge and, it was hoped, a measure of protection from political discrimination against foreign banks. An important internal report of 1963 made a powerful case for overseas expansion via the joint venture route, recommending that Chase seek affiliations with large local banks even in countries in which it already had branches.7 Hence the suggestion to McLaughlin of forming a joint venture to operate in the Euromarkets was entirely consistent with Chase’s strategy, as well as being timely in terms of jumping on the consortium banking bandwagon.

ROYAL BANK OF CANADA8

Royal Bank of Canada (Royal Bank) was a carefully chosen partner. It was Canada’s largest bank and 12th in the world, with assets of $9.5 billion. Headquartered in Montreal, it had a network of 1300 branches across