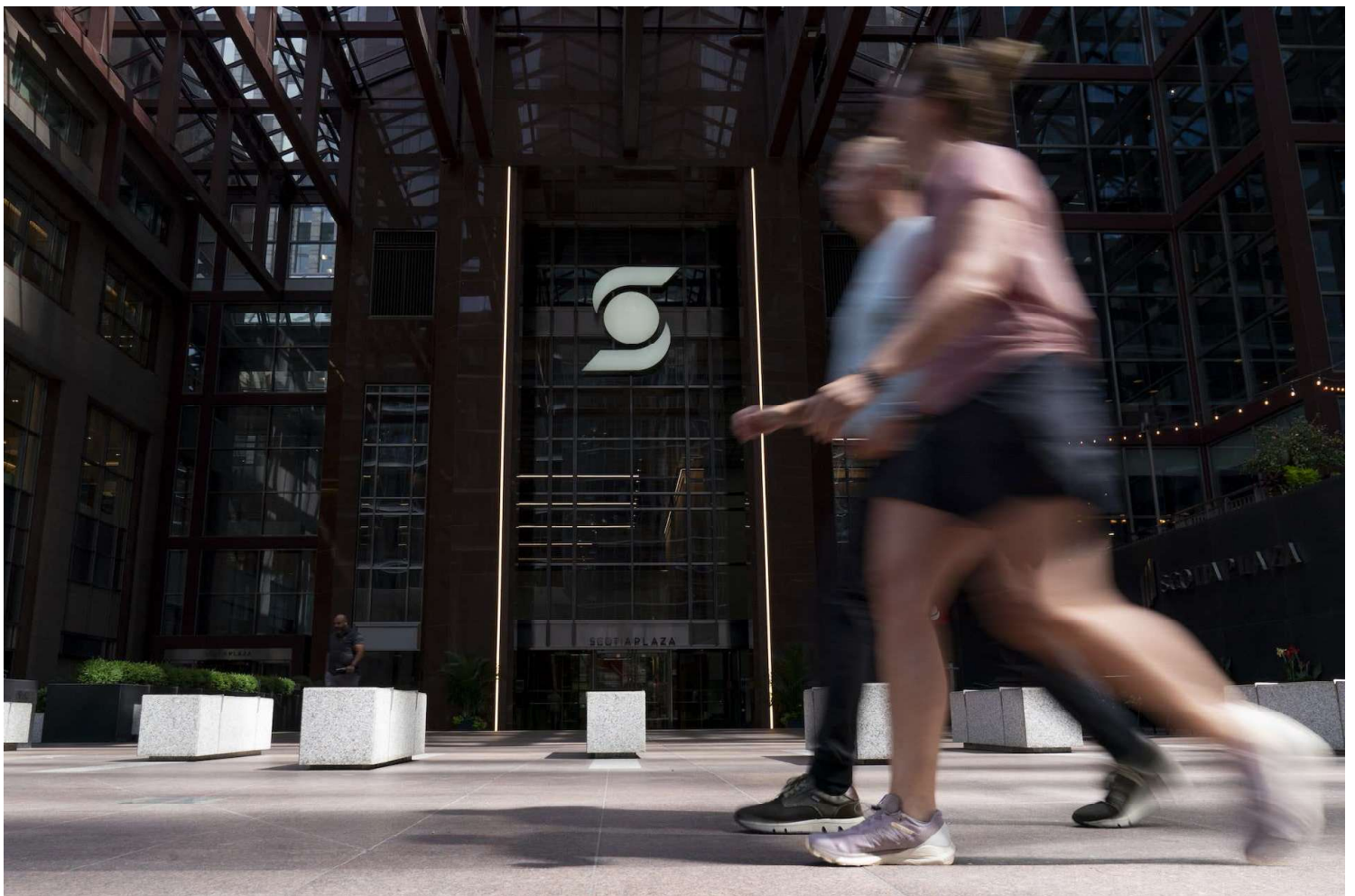


Exclusive

## Scotiabank scales up tech lending arm with ex-Silicon Valley Bank hires

Scotia team aims to ‘absorb some of the DNA’ of its new hires

By [Leah Golob](#)



A Scotiabank building in the Financial District of Toronto. **Photo:** The Canadian Press/Spencer Colby

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The technology and innovation banking arm of Scotiabank and its subsidiary Roynat Capital is eyeing a bigger role in financing Canada's startups—and has hired three former employees of Silicon Valley Bank Canada to bulk up its team.

Karl Theard, formerly SVB's director of technology banking for Quebec, will lead the team's efforts in that province and in Atlantic Canada; Jake Cully, formerly a Toronto-based senior associate at SVB, will support the team's efforts in Western Canada; and Remy Orpen, formerly SVB's vice-president for credit solutions, will join the team in Toronto to help the team's new and existing clients secure financing.

## ■ Talking Points

- Scotia's technology and innovation banking team, anchored in its subsidiary Roynat Capital, has hired three former employees from SVB's Canadian arm
- David Rozin, vice-president and head of technology at TIB, said his team hopes to fill some of the gaps SVB's collapse left in Canada's tech financing landscape

The new staffers will bring not just their talents, but their networks, David Rozin, vice-president and head of the technology and banking arm (TIB), told *The Logic*. It's also an opportunity for TIB to “absorb some of their DNA, especially on lending to the earlier part of the market,” which will be valuable for the division as it evolves.

Silicon Valley Bank entered Canada in 2019, bringing its specialized services and venture-debt offerings to the country's burgeoning tech sector. Since its collapse in March, its competitors have been rushing to fill the vacuum. In Canada, the likes of RBC, BMO and CIBC began [pursuing](#) the bank's clients almost immediately after its failure.

National Bank [acquired](#) SVB's Canadian loan portfolio last month, including its \$1 billion in loan commitments to its customers in the country. The acquisition did not include any SVB employees, but Michael Denham, National Bank's executive vice-

president for commercial and private banking did tell *The Logic* he was meeting with former staffers to see who might be a good fit for the bank. TD Bank recently [hired](#) four former executives from SVB Canada, and CIBC's innovation arm brought on two former staffers from the failed bank's U.S. division.

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The hires are part of Scotiabank and Roynat's effort to pick up some of the slack after SVB's collapse, which, along with a [slump](#) in investment activity, has had the country's startups worried about the availability of funding at the early, pre-seed and seed stages, and whether funders will be interested in companies beyond those that sell enterprise software as a service, Rozin said.

Scotia's TIB team has been around since 2019, and is a direct competitor to RBCx, CIBC Innovation Banking and National Bank's tech group. It is a "hybrid" division, in the sense that it can provide term lending like Roynat, but also focuses on commercial banking and cash management, like Scotia—all specifically for tech companies. It also has its own set of products for the tech sector, like lines of credit that a company can use to finance acquisitions. Rozin's mandate is to build a team that can serve clients companies from the early stages up to and through their IPO.

However, Scotiabank and Roynat have rarely taken the spotlight in Canada's tech financing ecosystem. "I think we've been a really well-kept secret," Rozin said.

It's tricky to assess where they stand relative to their competitors. The country's public banks don't break out financial details for those silos, said Doug Young, an analyst at Desjardins Capital Markets who covers Scotiabank. And, Young said, analysts like him

tend not to be experts in the field. “From our analyst viewpoint, it feels like [RBCx] is more front and centre,” Young said. “RBC’s management teams have been talking about [tech financing] and sharing information with the investment community for a while.”

“I think we’re going to see an incredible amount of consolidation.”

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According to an executive at a tech financier that doesn’t compete directly with Scotiabank and Roynat, SVB’s collapse has created an opportunity in Canada for tech financiers to pursue early stage deals, in particular, since it had a bigger appetite for those than the Canadian banks. (*The Logic* agreed not to name the source so they could speak freely about Canada’s small tech-financing sector.)

TIB could use this as a chance to expand its share in that category. “I do not think BMO, TD or RBC will play that early. Right now, we see CIBC as the main player on those Series A deals,” the source said. SVB also left behind a gap in life sciences, they said, which could be another opportunity for TIB.

To date, the TIB has lent nearly \$2 billion, Rozin said, to companies including Toronto-based BenchSci and Sampler, Calgary’s Helcim, GeoComply in Vancouver and, most recently, Ottawa-based cybersecurity company [Field Effect](#), which it gave a \$30-million debt facility.

Historically, TIB has invested in companies with revenue ranging from around \$3 million to \$250 million, regardless of whether they’re private or publicly listed. The team can provide anything from a \$2-million recurring-revenue loan to a \$100-million acquisition financing—and more. “We’re able to support a company’s complete lifecycle, even beyond IPO,” Rozin said.

TIB's strength, according to Rozin, is that it looks beyond enterprise software-as-a-service companies to those with different business models—such as Helcim, which relies on a transactional business model rather than SaaS, he said. Likewise, TIB is also more open to investing in companies selling hardware products, medtech companies and those that haven't taken on venture capital, aside from light angel investment.

“By virtue of the makeup of the Canadian landscape, which is probably 80 per cent software, inevitably most practices are going to be predominantly financing software companies. But there are fewer that are willing to go outside of the recurring-revenue business model and entertain other types of technology or technology-enabled companies, and that's something we certainly have an appetite for,” he said.

With the hires, the team numbers 25, and Rozin said it continues to grow. “I think that number will change rapidly over the next 12 months,” he said. While TIB has established itself in Toronto, Vancouver and Montreal, Rozin said, it's now increasing its focus on other areas, including Calgary, Halifax, Kitchener-Waterloo, Ottawa and Quebec City.

Like other Canadian investors, TIB is sitting on a lot of [dry powder](#). “We're not yet close to where we want to be in terms of client count and practice,” Rozin said.

Rozin believes we're at the bottom of the tech downturn, but that the industry will eventually get back on track, with an inflection point coming soon. While he doesn't expect “the level of exuberance” of late 2020 and 2021, Rozin does expect financing deals in 2024 and 2025 to approach and surpass pre-pandemic levels.

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Still, some companies will face difficulty raising capital, Rozin said.

“The sooner they can realize that and course-correct, the greater the likelihood that they can find some sort of exit for themselves and their employees,” he said. “I think we're

going to see an incredible amount of consolidation as a result of that.”

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