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Obituaries

Visionary TSX leader embraced technology

By FRED LANGAN

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He brought in computer-aided trading and helped create the world's first exchange-traded fund

J. Pearce Bunting, who died last month at the age of 87, was president of the Toronto Stock Exchange for 17 years, from 1977 to 1994. He was from central casting: handsome, well dressed, with impeccable manners and a fine pedigree; he was the public ideal of what a stock-exchange president should be.

He was also a visionary who embraced the future. Though he grew up in the era of ticker tape and open outcry markets, with floor traders shouting themselves hoarse – some needed voice training to cure damaged vocal cords – as president of the Toronto Stock Exchange, he brought in computer-aided trading, starting in 1977.

This was the beginning of the end for the floor traders. Slowly computers took over, though the floor of the exchange wouldn't close until 1997.

Mr. Bunting is also credited with creating the world's first ETF, or exchange-traded fund, when he helped put together a way to trade the top 35 stocks on the exchange through one instrument.

John Pearce Bunting was born in Toronto on Sept. 6, 1929, three days after stock markets hit their peak – measured by the Dow Jones Industrial Index – after rising tenfold during the Roaring Twenties, following the First World War. He was not yet two months old when the crash happened on Wall Street, when markets lost more than 30 per cent in one week and kept falling until the middle of 1932.

Markets in Toronto and Montreal (then the more important exchange) plunged within hours of the crash in New York – with the news coming by telephone or broker's private wires, according to a case study by Joe Martin of the Rotman School of Management at the University of Toronto.

"Stock speculators shaken in wild day of panic," read The Globe and Mail's front page headline on Oct. 30, 1929.

No brokerage houses in Toronto went under, though, including Alfred Bunting and Co., the firm run by Pearce Bunting's father, Alfred, who specialized in mining stocks. Toronto exchanges, there were two of them at the time, fared better than those in New York because of a mining boom, helped in great measure by the price of gold rising under an order from former U.S. president Franklin D. Roosevelt.

Alfred Bunting and Co. and the Toronto markets prospered, while Montreal firms and the Montreal Stock Exchange, home to banks and large industrials, floundered. Volume on the Toronto exchanges passed Montreal in 1934, and kept growing, presaging Toronto's rise as the financial capital of Canada, the theme of Mr. Martin's case study.

Pearce Bunting grew up in Oakville, Ont., insulated from the Great Depression that followed the stock market crash. The name Pearce came from his mother, Harriet Pearce. He attended Appleby College, a private

preparatory school in Oakville. Pearce was a top track athlete, specializing in running the mile. He won speaking and writing contests and was head prefect at his house at the boarding school.

He went on to McGill University, where he boarded with a Polish family, living in an attic. One of his fellow boarders was Zbigniew Brzezinski, who later became national security adviser to former U.S. president Jimmy Carter. Mr. Bunting graduated with a commerce degree in 1952.

He worked at the brokerage firm McLeod Young Weir.

Mr. Bunting told The Globe and Mail's Vivian Smith in 1988 that he always assumed that his father's partner was going to buy the firm, so he never really planned a career in finance. He spent the summer of 1955 in Europe, where he met his first wife, Bodil Malmstrom. He had returned to Montreal to work for another firm when his father called him and said he had bought out his partner and he asked Pearce to join the family firm.

Mr. Bunting worked on the trading floor of the Toronto Stock Exchange for two and a half years before he returned to Alfred Bunting and Co. By 1967 he was president. He modernized the firm, shifting its client base from wealthy individuals to institutions, such as banks, pension funds and insurance companies.

The Toronto Stock Exchange was controlled by the brokers.

Mr. Bunting became a governor of the exchange and its chairman, a post he could hold while still running his family firm.

In 1977 he left Alfred Bunting to become president of the Toronto Stock Exchange, moving into a fourth-floor office insulated from the noisy trading floor of the art deco building, which opened in 1934. He soon set about modernizing the exchange. He brought in a system called CATS, short for Computer Assisted Trading System, much to the disgust of the floor traders he once worked alongside.

"The tail is wagging the dog," Carl Christie, chairman of the Professional Traders Association, told The Globe in the 1980s. The dog in his analogy was the way the exchange had been run for most of the 20th century, the tail was Mr. Bunting and the governors of the exchange.

It was the era of the "Four Pillars" of the financial world – banks, insurance companies, trust companies and brokerage houses – and each one was kept separate and protected by law. A bank couldn't buy a brokerage house and brokers owned the firms where they worked.

The rules changed quickly in the early 1980s. Banks were allowed to buy brokerage firms, foreign firms came to Canada and even Mr. Bunting's old firm merged with the British bank Warburgs. His former colleagues say Mr. Bunting preferred the old system, but he had no choice but to adapt.

Another big change was the move from the beautiful stockexchange building to a new floor in an annex of First Canadian Place.

"My brother says he made the deal with Paul Reichmann [whose family owned First Canadian Place]," said Mr. Bunting's sister, Harriet (Sis) Bunting Weld.

"Pearce said what he wanted, Mr. Reichmann put his head down for a moment, looked up and said yes and they shook hands."

The Toronto Exchange moved to the new floor in 1983.

Not everything was rosy on Mr. Bunting's watch, however. There was a scandal involving Osler Inc., a brokerage firm that failed in 1987. High-flying broker Len Gaudet, who was at the helm, was later convicted of fraud.

There was another scandal, at the TSE itself, when its vice-president, a 31-year-old superstar who specialized in firing staff, was fired himself after an investigation by The Globe revealed that he had lied about his academic credentials.

"I clearly made a mistake [hiring Terry Popowich] but you take these kinds of gambles on people as you go through life. That one didn't work out," Mr. Bunting told The Globe at the time.

In spite of the occasional hiccup, his long tenure at the Toronto Stock Exchange was considered a success.

"Under his watch the exchange prospered and did well," said Patrick Mars, who was a governor of the exchange and succeeded Mr. Bunting as president at Alfred Bunting and Co. "Pearce would rank very high on the list of people who ran the Toronto exchange, both before and afterward."

In his private life, Mr. Bunting skied, played tennis and bridge, and spent a lot of time at his family cottage, an isolated place with no electricity. He did a lot of volunteer work and served as both chairman and president of Appleby College.

"Girls were admitted to the school when he was chairman," said his sister, Ms. Bunting Weld.

Mr. Bunting died on April 27 at the Credit Valley Hospital, in Mississauga, after a fall. He leaves his wife, Stephanie (née Kelley); former wife, Bodil; children, Brenda, Mark, Lisa, Keeley, Charles Pearce; three granddaughters; sister, Ms. Weld; and brother, G. Rapley Bunting.

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