



January 2007

India beckons: financial services sector shows strong interest in Premier McGuinty trade mission

Post-secondary education groups to explore potential to expand training and development links

A dozen financial services companies will send delegates on the trade mission to India, to be led by Ontario Premier Dalton McGuinty. The trade mission takes place from January 14 to 21, 2007, with stops in Punjab, Delhi, Bangalore and Mumbai. Premier McGuinty will be accompanied on the trade mission by Minister of Economic Development and Trade, Sandra Pupatello, and Minister of Small Business and Entrepreneurship, Harinder Takhar.

The Toronto Financial Services Alliance has been helping with programming for the financial sector participants on the mission, and will be represented on the trip by its President, Janet Ecker, and TFSA's Project Director, Susan Viegas. While in India, Ms. Ecker and Ms. Viegas will renew TFSA's ties with Bombay First, TFSA's sister organization in Mumbai.

According to Ontario's Ministry of Economic Development and Trade, the financial services sector has been one of the fastest growing sectors of the Indian economy. India has a substantial middle-class consumer population and a large population of young people who represent enormous potential for insurance, banking and other financial services, MEDT notes.

The TFSA has succeeded in generating a great deal of interest in the potential of this market with its members, especially with Toronto-based educational partners, who hope to tap in to India's growing appetite for professional training in the financial services sector. Working with Bombay First, TFSA has arranged meetings with Indian companies interested in providing advanced international development opportunities for their employees, as well as with Indian educational institutions that may be interested in pursuing joint ventures with the Canadian schools.

While in India, Ms. Ecker will be making presentations to a number of large Indian firms promoting the opportunities in Toronto's financial services sector.

Major HR Needs Assessment Study slated for February

The first-ever human capital needs assessment study for the financial services sector in Toronto is nearing completion.

Deloitte, which is conducting the "Talent Matters" study for TFSA, presented preliminary findings from its surveys and interviews at a "Deliberative Dialogue" session with study participants on November 27. Based on the findings, the session participants expressed a strong appetite for change, to ensure that any fears of potential talent shortages uncovered in the research are quickly addressed by the sector and its partners in government and the academic and training community.

The report, which is expected to be published at the end of February, will provide a series of recommendations to help financial services companies plan better for their future talent requirements, and to be more effective at tapping in to new sources of qualified employees.

The report will also examine strategies that will help the Toronto region continue to thrive as a magnet for talent – and preserve the region's status as a major financial services centre.

Financial services industry attracting more attention from all three levels of government

One of TFSA's major missions is to improve awareness of the industry's contribution to the economies of Toronto, Ontario and the nation. To judge by recent actions at all three levels of government, the message seems to be sinking in.

Toronto Mayor David Miller has pledged to support initiatives to encourage the growth of the sector, and has spoken out for reduced provincial capital taxes on financial services companies. The province, meanwhile, has for the first time prepared industry-specific promotional materials for the industry, and will henceforth include financial services in its international marketing efforts. The Ministry of Economic Development and Trade is also working with TFSA to develop a provincial economic development strategy for the sector.

Federally, Finance Minister Jim Flaherty acknowledged the importance of the financial services industry in his recent economic update, Advantage Canada, and committed the government to foster a "leading-edge" financial system and to support "the global development of our financial services industry so that it may realize fully its potential and maximize its contribution to the Canadian economy."

TFSA pressing to cut red tape – need to remain competitive

TFSA's continued call for governments to provide less red tape and more competitive regulations was given new ammunition with the latest report from the UK's Treasury department ("Delivering Better Regulation: HM Treasury's Simplification Plan," December 2006). In the report, the UK government pledges to reduce the cost of administering regulations under its control by 25%. In its pre-budget submission, the TFSA will urge the provincial government to take heed of the UK initiative and to cut red tape in Ontario in order to remain competitive.

The UK report notes that "effective regulation is one of the most important competitive factors determining the attractiveness of international financial centres," and attributes London's relative advantage over Paris, Frankfurt and, notably, New York to the UK's principles-based regulatory regime.

In a speech in December, Bank of Canada Governor David Dodge said Canada's world leadership in terms of modernizing regulation had been eroded. "Clearly, if we want our financial institutions to remain a major economic driver in Canada," he told the Economic Club of Toronto, "then we need to make sure that the regulatory framework under which they operate encourages competition and innovation, and does not prevent them from maximizing efficiency." Dodge went on to say that Bank of Canada research suggests Canadian banks are less efficient with regard to the scale of their operations. "If banks could reap economies of scale, there would be efficiency benefits to flow through to the Canadian economy," he said.

Industry News

Women who work in financial services were well represented on this year's Top 100 list of Canada's Most Powerful Women, as compiled by the Women's Executive Network (WXN), an organization dedicated to the advancement and recognition of "executive-minded women in the workplace."

In its fourth annual survey, WXN identified 39 women from the corporate sector – of whom 17 work in banks, insurance companies or investment firms. Others featured on the list work in different fields, such as the public sector, arts and communications, and professional practice, or were singled out as "trailblazers and trendsetters" or future leaders.

Canada's banks, insurance companies and securities firms are on track to report record earnings for 2006, again playing a leading role contributing to Canada's economic growth and prosperity.

Collectively, Canada's five largest banks, all headquartered in Toronto, reported net income of \$18 billion for the fiscal year ended October 31 – an increase of nearly 63% from the prior fiscal year. The Investment Industry Association of Canada (IIAC) reported that securities firms also posted record earnings for the first three quarters of the year, generating operating profits of \$4.1 billion for nine months, up 31% from 2005. IIAC also said employment in the industry hit a new high at just under 40,600 – up 4.5% year over year. Canada's leading insurance companies, meanwhile, chalked up 16% gains year over year, boosting net earnings for shareholders to \$6.1 billion in the first nine months of 2006.

New and Noteworthy

In November, the Ontario government set up an expert commission to review the province's pension laws to ensure the viability and sustainability of Ontario's pension system. The panel, chaired by labour law expert and academic Harry Arthurs, will consult with individuals and groups across the province and report back in 2008. The **Association of Canadian Pension Management** applauded the announcement.

The **Canada Pension Plan** reported in November that its fund topped the \$100 billion mark for the first time ever during the quarter ended September 30. Upon reaching the milestone, David Denison, president and CEO of the CPP Investment Board, predicted the fund will grow to \$250 billion over the next decade, "making it one of the largest single purpose pools of investment capital in the world."

As of December 12, retirement at age 65 is no longer mandatory in Ontario. "Workers can now decide when to retire based on lifestyle, circumstances and priorities," said Labour Minister Steve Peters. According to an Ipsos Reid survey commissioned by **BMO Financial Group**, 73% of pre-retirees say they plan to work past 65.

Canada's major banks are continuing their expansion in North America. In December, **RBC Financial Group** completed its acquisition of Flag Financial Corporation in Georgia. RBC has also announced the planned acquisition of 39 bank branches in Alabama owned by AmSouth Bank. In November, **TD Bank Financial Group** announced that it would acquire all of the outstanding shares of TD Banknorth Inc., which has a branch network in the U.S. Northeast. Earlier in the fall, **BMO Financial Group** announced its expansion into Indiana with its planned acquisition of First National Bank & Trust, which has 32 branches in and around Indianapolis. Scotiabank and CIBC, meanwhile, continued to grow in the Caribbean. **Scotiabank** acquired control of investment firm Dehring Bunting & Golding Ltd., which has eight offices in Jamaica and an office in Trinidad, while **CIBC** acquired Barclays Bank's minority stake in First Caribbean International Bank, the largest regionally listed bank in the English-speaking Caribbean.

BMO Financial Group has named a new CEO to succeed **Tony Comper**, who retires next year. Chief Operating Officer **Bill Downe**, a 23-year veteran of BMO, will become CEO on March 1. Another senior player on Toronto's banking scene has also announced plans to step down. After 10 years as president and CEO of the Canadian Bankers Association, **Raymond Protti** announced he will retire in 2007 once his successor is in place. In Ottawa, **Nicholas Le Pan** stepped down on October 13 as Superintendent of Financial Institutions, the chief regulator for the banking, insurance and pension industries. Le Pan's deputy, **Julie Dickson**, is currently serving as Acting Superintendent.

UPDATE:

New Economic Development team at City Hall

Toronto City Council released the new membership list for its various standing committees, including Economic Development. The new Chair of the Economic Development Committee (EDC) is Councillor Kyle Rae. The other members are Councillors Mike Feldman, Suzan Hall, A.A. Heaps, Case Ootes and Michael Thompson.

Former EDC Chair Brian Ashton now chairs the Planning & Growth Management Committee. Messrs Rae and Ashton both sit on the City's newly created Executive Committee.

EBRD takes closer look at results of financial system restructuring

The European Bank for Reconstruction and Development (EBRD) devotes special attention in its latest transition report to the restructuring of financial systems in transition countries over the past 15 years. EBRD's Deputy Chief Economist Dr. Samuel Fankhauser visited Toronto in December to discuss EBRD's findings at a special presentation arranged by the TFSA and the Ontario Ministry of Economic Development and Trade.

Dr. Fankhauser noted that foreign banks, mostly European, have played an important role in securing the stability of financial systems in Central and Eastern Europe and the CIS. Increasingly, he noted, foreign banks are helping to transform management, as well as broadening product offerings for the public. Consumer credit is now the leading contributor to rapid growth.

New and Noteworthy (continued)

At the end of December, the **Insurance Bureau of Canada** released a comprehensive review of automobile insurance between 2000 and 2005 which concluded that misconceptions abound regarding the cost of insurance in Canada. The report (“Myths and facts about automobile insurance in Canada”) says the biggest myth is that competitive private sector automobile insurance is always more costly than government-run business. The report found that the government-run plan in British Columbia tended to have the highest premiums in the land, while Ontario, though more expensive than most other provinces, delivered benefit levels far higher than those in any of the provinces with government monopoly insurance.

A blue ribbon task force on Canada’s capital markets released a report (“Canada Steps Up”) in October which makes 65 recommendations to modernize securities regulations in Canada and to enhance the competitiveness of Canada’s capital markets. The panel was set up by the **Investment Dealers Association** in June 2005. The report calls for removing unreasonable and uncompetitive speed bumps that slow down the ability of issuers to get to market, and advocates a coordinated national approach on enforcement to make it faster, clearer and more accountable.

For the first time since BusinessWeek began ranking international MBA programs, Canadian schools grabbed all three top spots in this year’s survey. The Queen’s University business school, the Ivey School of Business at Western, and University of Toronto’s **Rotman School of Management** were ranked #1, 2 and 3, respectively. York University’s **Schulich School of Business** also finished among the top 10 international programs in the world.

The **Insurance Bureau of Canada** launched a revamped website (www.ibc.ca) this fall. The consumer-oriented site answers common consumer questions about home, car and business insurance, including in-depth information on how the industry is regulated and a step-by-step summary of what to do if you have a complaint against your insurer.

Canadian financial institutions continue to set their sights on the Chinese market. **Scotiabank** opened a bank branch in Shanghai at the end of November, the only Canadian bank so far permitted to operate a branch in China’s bustling financial capital. **RBC** announced plans in October to launch a joint venture with China Minsheng Banking Corp. to manage and sell mutual funds to Chinese investors. **BMO**, which had earlier been granted the right to co-lead the Bank of China IPO, officially opened a representative office in Beijing for its capital markets operations. Also in October, **Manulife-Sinochem Life Insurance Co.** marked its tenth year of successful operations as China’s first foreign joint-venture life insurance company with a ceremony in Shanghai.

Upcoming Events

January 14 – 21

Premier Dalton McGuinty leads a trade mission to India and Pakistan.

January 16

IIAC presents a one-day conference entitled “Structured Product’s Coming-of-Age,” in Toronto.

January 19

Insurance Bureau of Canada President and CEO Stan Griffin addresses the Canadian Club of Toronto.

January 25-28

The 2007 Financial Forum, a leading investor education conference, comes to Toronto.

January 29

Research in Motion Chairman and Co-CEO Jim Balsillie is guest speaker at the Annual Dinner of the Toronto Board of Trade.

January 30

TFSA President Janet Ecker presents pre-budget submission to Standing Committee on Finance and Economic Affairs, Toronto

February 12

The London Metal Exchange presents its industry renowned one-day educational seminar, in Toronto.

March 4 – 7

Prospectors and Developers Association of Canada hosts Annual Convention, in Toronto.

April 18

Toronto Mayor David Miller addresses the Annual Mayor’s Luncheon, sponsored by Toronto Board of Trade.