



January 2008

Roundtable with Ontario financial services sector underlines keen interest of political leaders

Three cabinet ministers attend strategy meeting

Following the return to power of the Liberals in last October's election, the government of Premier Dalton McGuinty continues to demonstrate its interest in forging stronger ties with Ontario's financial services sector.

On November 29, three members of Cabinet – **Dwight Duncan**, Minister of Finance, **Sandra Pupatello**, Minister of Economic Development and Trade (MEDT), and **John Milloy**, Minister of Training, Colleges and Universities (TCU) – were on hand to participate in a roundtable session organized by Ms. Pupatello in association with the Toronto Financial Services Alliance (TFSA).

In his remarks to the forum, Mr. Duncan – who, like Ms. Pupatello, represents a Windsor riding in the heart of the automotive industry – pleased the industry representatives in attendance by telling them that he had a new-found appreciation for the importance of the financial services industry to the province and the country.

“Our success is dependent on your success,” Mr. Duncan said. “We should be celebrating the sector a lot more,” he added. “Switzerland celebrates the sector. We don't. We have to start talking a whole lot more about it.”

In addition to the ministers and their officials, the roundtable included delegates from all the major associations representing the industry, as well as representatives from the major banks and insurance companies and other firms in the industry.

Ms. Pupatello provided a report on progress since her first roundtable meeting with industry leaders in June, and reaffirmed her department's desire to create a Financial Services Strategy Committee to provide a forum for ongoing communication between government and the financial services sector.

TFSA president **Janet Ecker** and the MEDT's **Bob Séguin** then led a discussion on the possibility of creating a Centre of Excellence in financial services education and training development in Toronto. Mr. Milloy expressed strong support for the idea and pledged his department's involvement as the concept is fleshed out.

Happy New Year!

On behalf of all the members of the Toronto Financial Services Alliance, we wish you and yours a happy, healthy and prosperous 2008.

Board of Trade launches financial luncheon series

In cooperation with the Toronto Financial Services Alliance, the Toronto Board of Trade kicked off its financial series on November 6 with an assessment of Toronto's financial services cluster.

Roger Martin, Dean of the Rotman School of Management, and **James Milway**, Executive Director of the Institute for Competitiveness & Prosperity (ICAP), presented their findings about Toronto, using the cluster mapping methodology adopted by Harvard University professor Michael Porter.

For a full copy of the ICAP report, please visit the Institute's website at www.competeprosper.ca.

The next luncheon in the Board of Trade/TFSA financial series is scheduled for February 25, and will feature a presentation by **Bill Robson**, of the C.D. Howe Institute.

Toronto seeks to rise in world rankings of financial centres

Creator of global index provides recommendations

The Toronto Financial Services Alliance and the Ontario government have set their sights on moving Toronto into the Top Ten of global financial services centres. In the latest Global Financial Centres Index (GFCI), prepared for the City of London by Z/Yen, a leading commercial think-tank, Toronto ranked 13th of 50 world centres (compared to 12th of 46 in the previous survey).

In November, the founder of Z/Yen and author of the GFCI report, **Dr. Michael Mainelli**, visited Toronto at the invitation of the Ministry of Economic Development and Trade (MEDT), and briefed MEDT officials and TFSA members on the various factors that distinguish global financial services centres from their rivals.

The GFCI focuses on five key areas of competitiveness: people, business environment, infrastructure, market access and general competitiveness. The business environment – and, in particular, regulation – is the decisive factor, according to Dr. Mainelli, and the area where the top centres are ranked most highly. People factors – the availability of good personnel, the flexibility of the labour market, business education, development of ‘human capital,’ and quality of living – are also important, and Toronto is ranked highly on this dimension.

In his presentation, Dr. Mainelli suggested that Toronto should continue to work aggressively to promote its status as a leading financial services centre – one of the key activities of TFSA. For example, while Toronto is a major airline hub and a gateway to North America, the GFCI report indicates that Toronto may not be perceived as being as highly connected as other financial centres in the survey. These perceptions can be corrected through marketing and promotion.

TFSA members may complete the GFCI survey by visiting the Z/Yen website (www.zyen.com) and clicking on “GFCI” under the “Activities” heading.

Ontario accelerates cap tax cuts

Ontario Finance Minister **Dwight Duncan** has announced an additional \$1.1 billion in tax reductions for business over the next three years.

In his 2007 Economic Outlook and Fiscal Review on December 13, Mr. Duncan said the capital tax on corporations primarily engaged in manufacturing and resource activities would be eliminated on January 1, 2008, two years ahead of schedule, while the capital tax for all businesses would be reduced by 21% retroactive to January 1, 2007.

The government also pledged an additional \$1.4 billion for infrastructure projects, including \$500 million slated for municipal transit systems, much of which will be spent in Toronto.

TFSA and its members have been pushing for elimination of capital taxes, as well as the investments in infrastructure, and applauded the government’s announcement.

Industry News:

Montréal Exchange Inc. (MX) and **TSX Group Inc.** announced on December 10 that they have agreed to combine their organizations to create **TMX Group Inc.**, in a transaction valued at \$1.3 billion. The integrated exchange group will be headquartered in Toronto.

The proposed merger has been well received in Toronto financial circles, as it promises cost synergies for the TSX, helps it ward off competitive threats, and provides it with instant access to the derivatives market.

The merger will also bring with it a majority stake in the Boston Options Exchange (BOX). On December 21, MX increased its ownership in BOX to 53.2% (subject to regulatory approval).

Shareholders will be asked to approve the proposal at a special meeting in February.

After a good first half of the year, Canada’s investment dealers experienced weakness in most business lines in the third quarter, according to a report issued on December 6 by the **Investment Industry Association of Canada (IIAC)**.

Operating revenues for the quarter totalled \$3.85 billion, off 14 per cent, quarter over quarter.

“The widespread repricing of risk and the ongoing struggles of the asset-backed commercial paper market led to broad-based double-digit declines in most of the industry business lines during the quarter,” the IIAC reported in its publication *Securities Industry Performance*. Particularly hard hit were the investment banking and equity trading segments.

New and Noteworthy

BMO Capital Markets, the investment and corporate banking arm of BMO Financial Group, has become a member of the London Stock Exchange (LSE). BMO also became a Broker on the Alternative Investment Market (AIM), one of the fastest growing exchanges in the world and the LSE's international market for smaller growing companies. BMO said its goal was to continue to be a leading underwriter of equity issues for mining companies globally. At the same time, BMO announced it would acquire UK-based **Pyrford International**, which has been providing international asset management services for pension funds, charities, endowments, foundations and high net worth individuals since 1987.

bfinance, an international investment consultant specialized in investment manager search, has opened an office in Toronto. The UK-based firm specializes in the search and evaluation of investment managers for Canadian and European investment firms. bfinance's Canadian clients include major pension plans, financial institutions and private foundations.

Keith Ambachtsheer of the **Rotman School of Management** has been singled out by readers of *Investments & Pensions Europe*, a UK-based magazine, for the Outstanding Industry Contribution Award in the magazine's annual European Pension Fund Awards. Prof. Ambachtsheer is a leading authority on global pension fund management, and helped establish Rotman's International Centre for Pension Management in 2005.

In November, **Scotiabank** closed its US\$1 billion transaction to acquire **Banco del Desarrollo**, Chile's seventh largest bank, which specializes in mid-market commercial lending, small business and micro business lending, as well as consumer finance. When Banco del Desarrollo is combined with Scotiabank's existing Chilean subsidiary, together they will become Chile's sixth largest bank. In December, Scotiabank completed its transaction to acquire controlling interests in **BBVA Crecer AFP** – the Dominican Republic's largest pension fund administrator in number of affiliates – and its related insurance company, **BBVA Seguros**.

In November, Don Stewart, CEO of **Sun Life Financial**, was named International Executive of the Year by the **Canadian Chamber of Commerce**. The award recognizes CEOs from Canadian companies who have developed a strong, competitive Canadian presence in global markets. In September, **RBC Financial Group's** Gord Nixon was named Outstanding CEO of the Year, an award sponsored by Caldwell Partners International, the National Post and CTV. The award recognized Mr. Nixon's leadership in the record performance of Canada's largest bank and his personal contribution to "healthy debate on matters affecting the whole of Canada's economy."

UPDATE:

Restructuring of SRO function of securities industry ratified

Canadian securities firms voted 98.3% in December in favour of combining the Investment Dealers Association (IDA), their industry's self-regulatory organization, with Market Regulation Services, the agency that monitors stock market trading.

This follows last year's split of the IDA, whose lobbying functions on behalf of the industry, were moved into a newly minted Investment Industry Association of Canada (IAAC).

The merger must still be approved by provincial securities commissions. The new agency is targeted to be up and running by April 1.

Ontario, investors, create VC fund

The province of Ontario is creating a \$165 million venture capital fund.

OMERS, RBC Capital, Business Development Bank and Manulife Financial will contribute \$75 million to the fund, and the province \$90 million.

The fund of funds will allocate the money to existing VC funds in Ontario.

John Wilkinson, Minister of Research and Innovation, said Ontario has been suffering from a dearth of venture capital since the burst of the dot-com bubble.

At the roundtable session on November 29 (see p. 1), the Canadian Venture Capital Association applauded the move, but urged additional efforts to make venture capital more readily available to Ontario businesses.

New and Noteworthy (continued)

The value of the retirement savings invested by Canadians in employer-sponsored pension plans continues to inch upward and is approaching \$1 trillion, according to **Statistics Canada**. In a report in December, Canada's national statistical agency reported that the market value of trustee pension fund assets reached \$950.3 billion at mid-year, up 1.5% from the first quarter – the fourth consecutive quarterly improvement. Assets in foreign holdings, particularly equities, grew to 30.6% of pension fund assets in Q2, up more than six percentage points over the past two years. Statistics Canada reported that roughly 4.6 million Canadian workers are members of trustee pension plans.

George Brown College received consent in December from the Provincial Quality Assessment Board for renewal of its Bachelor of Applied Business in Financial Services degree. The renewal is for five years. The Financial Services degree was launched in 2003 and has three majors: Accounting, Personal Financial Planning, and Financial Services Management and Administration.

Manulife has been named Life Insurance Company of the Year at the 2007 Asia Insurance Review Awards in Hong Kong. In the award ceremony in November, the judges cited the company's "continued commitment to professionalism, excellent customer service and innovation with first-to-market products." Manulife operates in ten countries and territories in Asia with a 25,000-strong agency force, and serves nearly five million customers in the region.

Business and government leaders came together in November to mark the official opening of **Ryerson University's Ted Rogers School of Management**. Supported by a \$15 million gift from Rogers Communications CEO Ted Rogers and his wife, Loretta, the School has established 52 new undergraduate and graduate student awards and scholarships for students who otherwise might not have the finances to gain a post-secondary education.

RBC Financial Group has acquired a 50% interest in **Fidelity Bank & Trust's** wholly owned Bahamas-based subsidiary, thereby creating Royal Fidelity Merchant Bank & Trust, which will provide corporate finance, investment management and trust services to clients in the Bahamas and Barbados. RBC and Fidelity will continue to operate their current retail banking and other businesses in the region under their respective brands.

Upcoming events

January 16, 2008

Thomas d'Aquino, Canadian Council of Chief Executives, addresses Economic Club of Toronto on "Hollowing Out," in Toronto.

January 24-26, 2008

Conference Board of Canada, 84th Canadian Conference, in Quebec City.

January 28, 2008

Prof. Richard Florida, Rotman School of Management, addresses Toronto Board of Trade's 120th Annual Dinner, in Toronto.

February 25, 2008

William Robson, C.D. Howe Institute, addresses Toronto Board of Trade "Financial Series Luncheon," in association with the Toronto Financial Services Alliance.

March 5, 2008

Second Annual Vinifera Women in Capital Markets Awards Gala, in Toronto.

We want your input.

Please contact us if you have comments or questions about TFSA. If you have a news item or information about an upcoming event that we should know about, please submit your contributions by email to info@tfsa.ca and put "TFSA Update" in the subject line.

Janet Ecker, President

Susan Viegas, Director

Brian Smith, Update Editor