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## Success can't be taken for granted

### Institute for Competitiveness and Prosperity surveys financial services cluster in Toronto

Toronto's financial services industries are critical drivers of prosperity in the city, in Ontario, and in Canada, according to the Institute for Competitiveness and Prosperity (ICAP). But their success cannot be taken for granted as the industry undergoes ever increasing globalization.

The conclusion appears in a study entitled *Assessing Toronto's financial services cluster*, prepared by ICAP on behalf of TFSA and the Ontario Ministry of Economic Development and Trade, and released in June. The complete report can be downloaded directly from: [http://www.competeprosper.ca/FSstudy\\_June07.pdf](http://www.competeprosper.ca/FSstudy_June07.pdf).

The study assessed the strengths of Toronto's financial services cluster against leading clusters in North America using the framework developed by Michael Porter of the Harvard Business School. It confirmed that Toronto has one of the most vibrant financial services clusters on the continent.

However, the report also notes that Canada's banks, though world leaders in shareholder returns, have not developed "break-out strategies to place them among the world's largest." Toronto has several global players in the life insurance segment, but there are "no internationally dominant P&C firms." And while its securities brokers have solid domestic positions, they "have not been as successful in expanding globally."

ICAP says the major challenge for the financial services cluster is getting the regulatory environment right.

"We need to move from a focus on preserving the status quo to one that encourages innovativeness and growth," said ICAP executive director James Milway. "And we need public policy to drive the development of Canadian firms that are global leaders."

TFSA president Janet Ecker said the study has highlighted key areas for further research, including the link between regulation and efficiency. "It will promote a better understanding of how the sector compares on certain indicators, generate measures that could be used to track the sector's future success, and encourage discussion of potential policies to support continued sector growth," Ms. Ecker said.

## Landmark report on talent market strikes chord

TFSA's year-long study of the talent challenges facing Toronto's financial services industry has struck a responsive chord with government, educators and industry. In particular, the report's recommendation that Toronto strive to become a global hub for financial services training and development was endorsed by the City of Toronto, which is currently considering the proposal in concert with Toronto's post-secondary educational community.

"We have all the ingredients," said TFSA President Janet Ecker in a recent speech. "World class universities and colleges. A well credentialed workforce. A strong financial services sector. All that's lacking is the catalyst to start the process."

The report, entitled *Talent Matters – A Study of the Toronto Financial Service Industry Talent Market*, was prepared for the TFSA by Deloitte. It concluded that the sector is not yet facing a "talent crisis," but there are clear warning signs that a lack of critical talent will continue to grow, and, if not addressed, could undermine revenue growth and productivity.

**Please see: "Talent Matters," p. 4**

# Toronto's people and business environment rated highly

## Toronto 12th on Global Financial Centres Index

Toronto is rated within the top ten financial centres in the world in terms of its people and its business environment factors, and Canada is very highly placed in terms of its overall competitiveness, according to a survey published by the City of London.

The Global Financial Centres Index (GFCI) ranks Toronto 12<sup>th</sup> overall, just behind Tokyo, Geneva and Paris, and ahead of San Francisco and Boston. The financial centres of London and New York top the GFCI list.

Toronto ranks 6<sup>th</sup> in terms of the availability of good personnel, the flexibility of its labour market, the quality of its business education, and the development of its "human capital." The report notes that this "people" factor is the single most important factor in financial centre competitiveness.

In terms of its business environment, Toronto ranks 9<sup>th</sup> in the world. In reaching this conclusion, the GFCI methodology looked at regulation and tax rates, levels of corruption, economic freedom and the ease of doing business. Regulation was cited in the survey as one of the most important factors in financial centre competitiveness.

# Ontario government developing financial services sector strategy

The Toronto Financial Services Alliance (TFSA) continues to work with the Ontario Government to develop a provincial strategy to support growth and enhance international competitiveness in the financial services sector.

The initiative is led by a strategy group of representatives from banking, deposit-taking institutions, pensions, securities and investment, insurance and affiliated business services. The end result will be a set of key recommendations for a sector strategy, which will be presented to the government later this year.

TFSA members met in June with Sandra Pupatello, the Minister of Economic Development and Trade (MEDT), setting the stage for a series of meetings with ministry officials that will take place over the summer.

In the spring, TFSA and the Ministry conducted a series of focus groups with sector participants to identify desired outcomes and key priorities. The discussion focused on five priority areas: regulation and taxes, marketing and recognition, the talent pool, infrastructure, and innovation.

Earlier in the year, MEDT published a marketing brochure to promote Ontario's financial services sector internationally – the first time the Ministry had done so for this sector. The brochure will be made available through Ontario Investment and Trade Services' seven offices around the world.

The Leader of the Official Opposition in Ontario, John Tory, has also indicated an interest in working with the sector to promote its growth. In his party platform released in June, he outlined a five point strategy to "strengthen the finance sector."

## Industry News

Rents for Class A office space in Toronto increased just 2.1 per cent in the past year, according to CB Richard Ellis Limited – one of the lowest rates of increase among world cities.

However, Toronto's rents, which average US\$52.23 per square foot, place it 37<sup>th</sup> among the 50 most expensive cities in the world. New York City Midtown, by comparison, ranks 21<sup>st</sup> (\$69.44 per sq. ft.). Topping the list was London's West End (\$241.22 per sq. ft.) and Shanghai took 50<sup>th</sup> spot (\$46.70 per sq. ft.).

CBRE notes that rents in Toronto should continue to be restrained, because three new office towers are under construction, which will bring an additional 3.8 million sq. ft. of office space to the market beginning in 2009.

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Halfway through the year, Canadian M&A activity is nearly double what it was at this point last year, according to CIBC World Markets.

In a recent report, CIBC estimated that M&A activity had accounted for more than 40 per cent of the increase in the TSX Composite Index over the past 12 months.

The report notes that the 2007 performance comes on the heels of an 80 per cent jump in the value of M&A transactions in 2006. Globally, M&A transactions are up 60 per cent over the previous year to \$2 trillion.

Takeover premiums in the Canadian market have averaged 30 per cent. These premiums have played a critical role in the performance of the TSX in the past year, which leads CIBC to forecast that the TSX will reach 15,000 by year end.

While the merger wave has caused some concern that venerable TSX listings are disappearing, CIBC notes that Canada has been a net acquirer of firms over the past five years.

# New and Noteworthy

MasterCard Inc. has chosen Toronto for the headquarters of its recently created **MasterCard Foundation** – a billion-dollar global foundation that expects to spend more than \$70 million over the next decade on projects aimed at education and microfinance for the world's poor. A spokesperson for the world's No. 2 credit-card firm praised Toronto as a "dynamic city" with "a reputation as an international player." It has an English-speaking, diverse and highly skilled population, and "reflects both North American and European roots." The move is part of MasterCard's rebranding as a global company.

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**Scotiabank** is continuing its international push, announcing several international acquisitions and expansions in recent months. They include transactions in the Caribbean, as well as Central and Latin America, and represent a total overseas investment of more than \$1.25 billion. The bank recently opened a representative office in Istanbul, described by the bank as "a gateway to Europe, Asia, the Middle East and Africa." It also announced plans to make a minority investment in China's seventh largest city commercial bank, Bank of Dalian.

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Seven of Canada's leading investment dealers have announced plans to establish a new Alternative Trading System (ATS), named **Alpha**, that will feature a continuous electronic order platform where trading will occur on a price-time priority basis. The firms say the ATS will increase the country's equity trading efficiencies and make Canada more globally competitive. The ATS is expected to launch in 2008 once it receives the required regulatory approvals. The seven dealers involved in Alpha are: BMO Capital Markets, Canaccord Capital, CIBC World Markets, National Bank Financial, RBC Capital Markets, Scotia Capital and TD Securities.

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The **Ontario Teachers Pension Plan** has opened its first international office, in London, and announced plans to bypass private equity funds and make its own investments. Teachers entered the European market 15 years ago and since then has made more than two dozen investments in equity and infrastructure, valued at more than \$4 billion. Citing the need to invest around the world in order to ensure the security of the pension plan, Teachers believes it will be able to spot new investments more easily from its London office, and make direct investments with partners, rather than through private equity funds. Teachers is the first Canadian pension plan with a dedicated London office. TD Capital opened a private equity office in London last year.

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**Ryerson University's** Faculty of Business has been renamed the Ted Rogers School of Management in recognition of a major gift from Toronto philanthropists and long-time supporters of Ryerson, Ted and Loretta Rogers. The majority of the \$15 million gift will be used to establish 52 new undergraduate and graduate student awards and scholarships, as well as a new Research Chair.

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## UPDATE:

### Ontario trims business taxes

The 2007 Ontario budget was passed in May, paving the way for the capital tax to be eliminated by 2010.

"The government is finally knocking down this barrier to investment," said TFSA President Janet Ecker.

Ecker also welcomed the reduction in business education taxes, which add significantly to the cost of office space. Both tax measures had been urged repeatedly in TFSA pre-budget submissions.

While the province forecasts a balanced budget for the coming year, TFSA members remain concerned about the increase in the debt.

### Toronto and TFSA host South African bank executives

With the assistance of TFSA and Canada's largest banks, South Africa's bank training authority is holding its third annual International Executive Development Program (IEDP) in Toronto this summer.

Sixteen candidates from nine South African banks are taking part in the six-week program, which entails academic sessions at the Rotman and Schulich business schools, as well as on-site sessions in the workplace with the Canadian bank hosts.

South Africa continues to support the IEDP in Toronto because of the quality of training the candidates receive here, and the support they get from their Canadian partners.

The program is also a good opportunity for the hosts to learn more about the sophistication of South African banks, and the high calibre of the people who work in the sector.

## New and Noteworthy (continued)

**RBC Dexia Investor Services** has been ranked No. 1 overall in the Global Investor 2007 Global Custody Survey. This marks the record fourth consecutive year that RBC has claimed the survey's top ranking, which is based on feedback from institutional investors about the quality of service they receive from their global custodians. Global Investor magazine's annual Global Custody Survey is one of the best known and most respected surveys in the custody industry.

Credit unions in Ontario and British Columbia have voted to merge their central organizations. Credit Union Central of Ontario and Credit Union Central of British Columbia will merge to create **Central 1 Credit Union**. Central 1 will provide payments, banking, treasury and trade services to more than 200 credit unions in the two provinces. The long-term vision is that other provincial central credit unions will join Central 1 to form a national organization.

The Toronto-based **C.D. Howe Institute** has formed a blue-ribbon advisory panel to help address key challenges facing Canadian pension plans. The panel will advise on a three-year pension program at the Institute, covering such issues as funding shortfalls, regulatory changes, and shifts toward money-purchase arrangements "that cause many Canadians to worry about the security of their incomes in retirement," the Institute said in a news release. The panel will be co-chaired by Claude Lamoureux, President and CEO of the Ontario Teachers Pension Plan, and Nick Le Pan, Canada's former Superintendent of Financial Institutions.

**Wells Fargo Foothill** – part of Wells Fargo & Company – has established a new Canadian affiliate, Wells Fargo Foothill Canada. Foothill provides secured financing to middle-market companies and the Canadian affiliate will offer credit facilities from \$10 million to \$1 billion and more. It will target companies in a wide range of industries, including manufacturers, wholesalers, distributors and service companies.

The **Investment Funds Institute of Canada** (IFIC) has reorganized its Education Division and created a new, not-for-profit company to provide for the growing needs of mutual fund and life insurance advisors in the country. The new organization, IFSE, will provide a range of courses, including the Canadian Investment Funds Course, which is the licensing requirement for mutual fund sales professionals. IFSE intends to expand its offerings for banks and credit unions.

Nancy Hughes Anthony has been appointed President and CEO of the **Canadian Bankers Association**, succeeding Ray Protti, who has retired after 10 years in the role. Ms. Hughes Anthony was President and CEO of the Canadian Chamber of Commerce, and has served as a federal deputy minister, a senior advisor to the government of Prince Edward Island, and as a corporate vice-president.

## Upcoming events

### September 5-7

CB Richard Ellis World Conference 2007, in Toronto

### September 10-13

Canadian Institute of Chartered Accountants' national Annual Financial Reporting & Accounting Conference, in Toronto

### October 1-3

Investment Funds Institute of Canada holds 21<sup>st</sup> Annual Conference, in Toronto

### October 24-25

2007 Financial Services Technology Forum, in Toronto

## Talent Matters

### (Continued from Page 1)

The TFSA study concluded that the "greying" of the workforce is going to have a significant effect on Toronto's financial services sector.

Shortages will be most pronounced in specialized areas, such as account management, credit risk and compliance, and accounting and actuarial. Many of the critical skills that the industry requires are those found in the leadership group that is retiring.

The report concluded that the sector would benefit from increased collaboration to eliminate barriers to hiring and integrating new immigrants; to strengthen financial services education and its alignment to industry needs, and to improve the Toronto financial services "brand" both as a business location and as a career.

**For a complete copy of the report, visit our Web site at [www.tfsa.ca](http://www.tfsa.ca).**