



Quest for global competitiveness: Conference focuses on global financial centres

Several key messages came through loud and clear at the first global financial centres conference held in Dublin in June.

The first message was that international financial centres are becoming the “in” thing as more and more jurisdictions aggressively compete to attract growing international financial business and global players. Conference delegates from 18 global financial centres heard experts describe how Jersey, Dubai, Qatar and Singapore were expanding their own hubs and how activities were shifting eastward.

The second was that the current world position or market niche of a global centre is becoming increasingly transitory as the industry becomes more globally entwined and more mobile. Commentators like EU Commissioner Charlie McCreevy and SEC Commissioner Paul Atkins stressed the need to keep international competitiveness in mind as regulatory changes are contemplated. Others debated the impact of Britain’s “non-dom” tax and the fall-out from Northern Rock, and asked whether London, long considered a top international financial centre, is growing uncompetitive.

Professor Michael Mainelli, executive chairman of Z/Yen Consulting and author of the growing Global Financial Centres Index, emphasized finding a market niche was how some smaller centres were maintaining international prominence. For example, Dublin focuses on hedge fund administration, technology and aviation finance, and Amsterdam on pension pooling.

Prof. Mainelli also stressed the growing importance of tourism as a strategy to attract financial services, commenting that “people invest where they have visited.” He also cautioned that so-called “hassle” factors, from tax levels to quality of life issues, could be as important as competitive policies in attracting financial business.

TFSA President Janet Ecker, who attended the conference, said if London and New York were concerned about global and domestic threats to their international dominance, it was important for centres such as Toronto to work at maintaining and leveraging our own strengths. She also noted that several jurisdictions, e.g., Amsterdam, Frankfurt, Spain and the Gulf States, had recognized the need for public-private sector partnerships like the TFSA.

Goldman Sachs grows in Toronto

Goldman Sachs has opened its newest Goldman Sachs Administration Services (GSAS) office in Toronto to help service its worldwide hedge fund administration operations.

“We selected Toronto over several other jurisdictions,” said Grant Jackson of GSAS.

Goldman Sachs joins UBS in choosing Toronto as a base for its hedge fund administration services. UBS established its division in 2006.

TFSA worked closely with the province and the city to help bring GSAS to Toronto, and provided GSAS with insight into the local talent market.

IEDP 2008

Toronto was again chosen by South Africa’s educational training authority for banking, BANKSETA, as the site for this year’s International Executive Development Program (IEDP).

The ten men and women attending this year’s IEDP will join more than 40 South African bankers who have been through the program already.

IEDP was launched in cooperation with the City of Toronto, TFSA and numerous TFSA members, from both the banking industry and post-secondary education.

Liberalize foreign investment rules, streamline competition regime and create competitive business environment:

Competition panel presents recommendations

To improve the competitiveness of Canada's business environment, banks should be allowed to merge and foreigners should have an easier time investing in the country's telecommunications, air-transportation and uranium-mining industries, a government-appointed panel said last month.

The recommendations were among 61 made in a report by the five-person Competition Policy Review Panel, commissioned by the federal government one year ago amid rising concerns over foreign takeovers.

Mergers in Canada's banking sector have effectively been on hold since 1998, when the Liberal government of the day turned down two proposed mergers, and there has been little encouragement for such deals under the current Conservative government.

"Concerning scale, bigger institutions could position Canada and Canadian-based firms and financial institutions to compete more effectively in international markets," the report said.

Business reaction to the report, entitled "Compete to Win," was generally positive with many members of the Toronto Financial Services Alliance expressing their support for the report's recommendations.

Corruption or Compliance: Weighing the Costs

Ernst & Young conducts 10th global survey

Canadian companies are experiencing less bribery and corruption than their global counterparts, says Ernst & Young in its 10th global fraud survey.

Eighty percent of North American companies surveyed (including 25 Canadian and 54 American organizations) reported not a single incident of bribery or corruption in the last two years. That's 15% higher than the survey's global average.

However, the report notes that despite North America's relative domestic success in combating fraud, and more anti-corruption legislation and enforcement efforts around the globe, corruption remains a risk for operations expanding worldwide.

One in four survey respondents said their company experienced an incident of bribery and corruption in the past two years. More than 1/3 of all respondents felt corrupt business practices were actually getting worse. And 23% of respondents knew someone in their company had been solicited to pay a bribe to win or retain business.

Ontario jobs fund supports growth, investment and innovation in financial services

In March, the Ontario government launched the \$1.15 billion Next Generation of Jobs Fund (NGOJF) – a five-year program to help companies develop new technologies and services for world markets, and help Ontario win investment and create jobs.

The Fund has three investment streams, each with a tailored focus and application process. Financial services is one of the priority investment targets for the Jobs and Investment Program (JIP) stream. Eligible projects include those investments or expansions that meet the project thresholds of \$25 million or create/retain 100 high value jobs within five years.

JIP can provide up to 15 per cent of eligible project costs, typically as a conditional grant.

For further information, visit: www.ontariocanada.com.

TFSA recruits project director for educational COE

As part of the effort to bring to life the Centre of Excellence in financial services education promised in the last provincial budget, the Toronto Financial Services Alliance has begun recruiting a Project Director for the program.

The successful candidate will be tasked with the development of a governance model for the Centre, setting out its initial research projects and developing recommendations for the Centre's long-term activities.

New and Noteworthy

Canadian cities continue to rank highly in international rankings in terms of quality of life. **Mercer's** 2008 Quality of Life Survey lists five Canadian cities in the Top 25 in the world, with Vancouver ranked fourth, behind Zurich, Vienna and Geneva. Toronto is ranked 15th in the latest survey.

Scotiabank has entered a new referral relationship with **HDFC Bank**, India's second largest private bank, which has more than 1,100 branches throughout India. The two banks expect to sign a formal agreement shortly. Among other things, the new arrangement will permit emigrating Indians to establish their banking relationships in Canada before leaving home, providing some stability in the midst of change. Between 2001 and 2006, 155,000 people immigrated to Canada from India, according to Statistics Canada.

The **Investment Industry Regulatory Organization of Canada (IIROC)** has commenced operations as the self-regulatory organization overseeing all investment dealers and trading activity on equity and debt marketplaces in Canada. IIROC was created through the consolidation of the Investment Dealers Association of Canada and Market Regulation Services Inc.

Royal Bank has completed the US\$2.2 billion acquisition of RBTT Financial Group, headquartered in Trinidad and Tobago, significantly expanding RBC's presence in the Caribbean. When combined with RBC's existing operations, the new organization will have a presence in 18 countries and territories across the region. RBC also announced that it has entered the Chilean market with the opening of a financial advisory office in Santiago. RBC's objective in Chile will be to provide financial advisory services to high net worth individuals.

People on the move: TSX Group has named **Thomas A. Kloet** as its new Chief Executive Officer. **Dominic D'Alessandro** announced his retirement as CEO of Manulife. His successor will be named before year-end. The City of Toronto has appointed **Gary Wright** as the city's next Chief Planner and Executive Director of the city's Planning Division. **Henri-Paul Rousseau**, the president and chief executive officer of the Caisse de dépôt et placement du Québec, is stepping down to become Vice-Chairman of Power Corporation of Canada and Power Financial.

Canadian banks continue to expand their presence in China. **BMO Financial Group** recently announced the official opening of its branch in Shanghai, bringing to four the number of BMO branches in China. **ScotiaMocatta**, the precious metals arm of Scotiabank, has been granted membership as a Foreign Financial Member of the Shanghai Gold Exchange (SGE), China's leading precious metals exchange. ScotiaMocatta will soon begin trading gold, silver and platinum through its branch in Guangzhou.

UPDATE:

Private equity heats up in 2007, cools in 2008

According to a report by McKinsey & Company, Canada's private equity market took off in 2007, largely driven by the growing involvement of Canadian pension funds.

According to the report, top pension funds and other institutional investors in Canada have gained an international reputation as sophisticated direct investors in private equity deals.

Pension funds comprised 37% of new capital for buyout and mezzanine partnerships in 2007, second only to banks and other financial institutions at 38%.

In 2008, however, the level of investment activity in the private equity market has dropped off. In a report by Canada's Venture Capital and Private Equity Association, activity in the first quarter was said to be well below the same period one year earlier.

Support for mobile applications

Research In Motion, RBC and Thomson Reuters have announced plans to launch the BlackBerry Partners Fund, a US\$150 million venture capital fund, to invest in mobile applications and services for the BlackBerry platform and other mobile platforms.

The Fund is to be co-managed by JLA Ventures and RBC Venture Partners.

The sponsors say the fund will be designed to advance the industry by "fostering development and driving the entrepreneurial spirit to create the most innovative mobile offerings for customers."

New and Noteworthy (continued)

The **Canada Pension Plan Investment Board** (CPPIB) has opened another international office to bring it closer to investment opportunities available in foreign markets. The new office has been set up in London, and follows the opening earlier this year of a CPPIB office in Hong Kong.

The **Association of Canadian Pension Management** (ACPM) has added its voice to those calling for a national summit of federal and provincial Cabinet Ministers who are responsible for pensions in Canada. Currently, the provinces of Ontario and Nova Scotia, and British Columbia and Alberta, in a joint effort, have expert commissions or panels reviewing the pension system in their respective jurisdictions. ACPM noted that once they have reported back to their constituencies, the recommendations of these expert bodies could naturally form the basis for meaningful discussions at a national summit of responsible ministers.

Scotiabank continues to build its international network. It recently announced the opening of a representative office in Moscow, making it the only Canadian bank, and one of just a few globally, to have an on-the-ground presence in each of the countries in the so-called BRIC (Brazil, Russia, India and China). Scotiabank also announced that it has acquired Banco del Trabajo, Peru's ninth largest commercial bank, as well as a 47.5% stake in Profuturo, Peru's fourth largest private pension fund.

Earnings for firms in the Canadian securities industry fell sharply in the first quarter according to the **Investment Industry Association of Canada** (IIAC). For the first quarter, IIAC reported a 9% drop in operating revenues and 15% drop in operating profits from the previous quarter, and 14% and 37% declines, respectively, year over year. The decline comes on the heels of five consecutive years of record-setting performance. The downturn comes as little surprise, IIAC noted, given the sharp collapse in share prices, perceived vulnerabilities in the global financial system and uncertainties in the economic and financial outlook. However, the report concluded that industry fundamentals are sound, and predicted that business conditions for the securities industry will strengthen as credit and economic conditions recover and confidence in the markets is restored.

According to research done by **Greenwich Associates**, Canadian foreign exchange trading volumes increased 70% in 2007 from 2006, growing even faster than global trading volumes, which have posted steady double-digit annual growth for years. Growth in Canada's market spanned nearly all foreign exchange products, including swaps, forwards and emerging markets currencies. Scotia Capital, RBC Capital Markets and CIBC World Markets were the market leaders.

Upcoming events

September 12, 2008

Insurance Bureau of Canada President Mark Yakabuski addresses Toronto Board of Trade, Toronto

September 16, 2008

First-ever Canadian Hedge Funds Awards banquet, Toronto

September 16-19, 2008

Annual conference, Association of Canadian Pension Management, Lake Louise

September 23-25, 2008

2008 Annual IFIC Leadership Conference, Toronto

September 29 – October 1, 2008

Mutual Fund Dealer's Summit, Collingwood

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.

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