



Financial Services emerging as Canada's engine of growth

New report to set out areas of competitive advantage

There is a new-found awareness that the financial services sector will take on even greater importance in future as a source of high value jobs in the Canadian economy, according to a report being prepared by Boston Consulting Group (BCG) for the Toronto Financial Services Working Group and expected to be completed this fall.

TFSA President **Janet Ecker** and TD Financial Group's Chief Economist **Don Drummond** co-chair the Working Group, which is made up of representatives of industry and all three levels of government.

The Working Group notes that financial services has increased in importance for the Canadian economy by more than 40% in the past 20 years.

Recognizing the sector's strength – amply demonstrated by its ability to weather the global financial slump of the past year – the working group set out to determine how best to capitalize on that strength and leverage the sector's success to create even more jobs in financial services and in the sectors that support them.

As part of its research for the Working Group, BCG was asked to examine other financial services hubs around the world and identify lessons that can be applied in Toronto. BCG also conducted nearly 130 interviews with senior financial executives and leaders from education and government.

Based on BCG's research and analysis, the report will identify areas where Toronto, as a financial services hub, has an advantage – an advantage that can be translated into a global competitive edge. They include both areas of traditional strength and areas that have not yet been fully explored.

When the report is completed, it is expected to lay out a plan to leverage TFSA's successful public-private partnership model to develop these areas of competitive advantage.

"Our goal is quite simply to become one of the two leading financial clusters in North America and one of the top ten global hubs," said TFSA's Ms. Ecker.

Toronto improves rating in GFCI 6: Now No. 3 in N.A.

Toronto has risen 32 points in ratings reported in the latest **Global Financial Centres Index (GFCI 6)** and is now the third North American financial centre, having overtaken Boston since GFCI 5.

Globally, Toronto slipped from 11th to 13th in the latest survey as Asian centres bounded ahead. The Chinese centres of Shenzhen and Shanghai rose dramatically in the standings to enter the Top Ten. London and New York continue to hold the top two spots, followed by Hong Kong and Singapore.

In the five areas of competitiveness tracked by the GFCI, Toronto was strongest in the "People" sub-index, where it was ranked ninth in the world.

The GFCI is determined by a combination of quantitative measures (75 in all) plus survey responses from industry participants around the world (more than 1,800 in the current survey).

"Toronto is rated by a third of 'non-home' respondents," the authors report, but surprisingly few in North America (which suggests an opportunity for improvement). However, "It is the only North American centre that enjoys support from the offshore centres and it is also well regarded by respondents based in London."

Finance Minister visits China: Joined by high-level financial services trade delegation

Federal Finance Minister **Jim Flaherty** led a high-level delegation of government officials and financial services industry representatives to China from August 10-14. In addition to signalling a further thaw in Sino-Canadian relations – Mr. Flaherty was the fourth senior cabinet minister to visit China in as many months – the visit's focus on the financial services sector was a first and underscored the importance of financial services to the Canadian government's international relations.

Joining the minister on the mission was Bank of Canada Governor **Mark Carney** and Superintendent of Financial Institutions **Julie Dickson**, along with the heads of Canada's largest life insurance companies – Manulife CEO **Donald Guloien** and Sun Life CEO **Donald Stewart** – and senior representatives of all five major banks and the Toronto Stock Exchange (TMX Group).

Canada scores highly again: World Economic Forum

Canada moved up one notch in this year's [Global Competitiveness Report](#) published by the Geneva-based World Economic Forum. Canada moved up from tenth place in the 2008 survey to ninth place in 2009.

For the second year in a row, Canada's banks were rated best in the world in terms of soundness. Other areas of competitive advantage included education, technological readiness and market efficiency.

The Global Competitiveness Report is the most comprehensive and authoritative assessment of the comparative strengths and weaknesses of national economies, and is widely used by governments, academics and business leaders.

Building ties with government

In addition to its regular per-budget submissions, the TFSA continues to work with its partners on issues of mutual concern:

- TFSA participated in a two-day briefing session organized by the Canadian Bankers Association for federal Parliamentarians.
- TFSA and some of its member associations have offered to work with the governments of British Columbia and Ontario to help resolve issues with respect to the planned introduction of a Harmonized Sales Tax.

“We are working to encourage an improved climate of cooperation and consultation so that financial services issues remain high on the agenda,” said the TFSA's **Janet Ecker**.

Connect2Canada: Next step, Boston

Building on the success of last December's visit to Chicago, about 200 executives from the financial services communities in Ontario and New England will gather in Boston to explore the growing relationship between the two regions' economies.

The September 30th program features remarks from Ontario's Minister of Economic Development and Trade, **Sandra Pupatello**, and **Neil Leblanc**, Canada's Consul-General in Boston; a presentation about the John Hancock success story by CFO **Lynne Patterson**; a series of workshops and panel discussions about doing business in Ontario, investment opportunities in the financial services sector and related businesses, and how to leverage cross-border partnerships; and an opportunity to network in the Partners Exhibit Pavilion.

Connect2Canada is presented jointly by the Toronto Financial Services Alliance and the governments of Canada and Ontario.

View from London

London's Lord Mayor, **Ian Luder**, visits Canada this month. TFSA members were invited to participate in a financial services roundtable session with the Lord Mayor and his delegation on October 1.

Mr. Luder will discuss how London is addressing the downturn and propose ways that London and Toronto might work more closely together. **Andrew Cary**, the British High Commissioner, will also speak about Canada-U.K. relations.

New and Noteworthy

Doug Hyndman, the former chair of the British Columbia Securities Commission, has been named chair and CEO of a newly created **Transition Office**, which will lead the government of Canada's effort to establish a Canadian securities regulator.

Bryan Davies, Chair of the Canada Deposit Insurance Corporation, will be Vice-Chair. **Lawrence Ritchie** has been seconded from his position as Ontario Securities Commission Vice-Chair until September 2010, to act as Executive Vice President and Senior Policy Advisor for the Transition Office.

With the number of seniors projected to more than double in Canada over the next 30 years, the government of Ontario says it is moving ahead with long-term reforms to strengthen the pension system for Ontarians and increase Ontario's competitiveness. As a first step, the government has appointed a 13-member **Advisory Council On Pensions And Retirement Income** to provide advice to the government on pension reform proposals and keep the government informed on stakeholder viewpoints.

BMO Financial Group has officially opened new premises in Beijing's business district. The opening coincided with the visit to China in August of Finance Minister **Jim Flaherty**, who cut the ribbon at the official opening ceremony. BMO also announced plans to incorporate in China, and the appointment of **Albert Yu** as CEO for BMO's Asian operations. Mr. Yu resides in Beijing, and will be responsible for BMO's operations in mainland China as well as in Hong Kong and Taiwan.

In July, **RBC Capital Markets** was designated a primary dealer by the Federal Reserve Bank of New York (FRBNY). Primary dealers are bidders in U.S. treasury auctions and trade in U.S. Government securities and select other securities with the FRBNY. RBC is already the equivalent of a primary dealer in the U.K. and Canada.

Sun Life Everbright Life Insurance Company Limited, a joint venture between **Sun Life Financial Inc.** and **China Everbright Group**, aims to more than double its registered capital to \$500-million and will seek to capture a larger share of China's growing financial services sector. Sun Life will have a 20% interest in the restructured and repositioned company.

Manulife Financial and **AIC Limited** announced in August that Manulife will acquire AIC's Canadian retail investment fund business. Under the agreement, Manulife Mutual Funds would manage all AIC funds in Canada and AIC would continue to act as a fund sub-advisor for Manulife Mutual Funds.

The **Toronto Region Immigrant Employment Council (TRIEC)** has appointed RBC's CEO, **Gordon Nixon**, as Chair, and **Zabeen Hirji**, RBC's chief human resources officer, as Co-Chair of TRIEC.

UPDATE: Banks continue to outperform – insurance companies on mend

Investors were pleased with the third quarter results of Canada's major banks which exceeded analysts' estimates.

Collectively, Canada's six largest banks reported net income for the quarter of nearly \$4.7-billion, up \$551-million or 13% from the same period last year. Year to date, the major banks improved earnings by 11.8%.

Capitalization for the major banks continues to be well in excess of regulatory requirements, with all reporting Tier One capital ratios at July 31 of 10% or more.

Canada's top three insurance companies, meanwhile, reported second quarter earnings that were generally a major improvement from the first quarter. Earnings available for shareholders topped \$2.8-billion for the quarter, up more than 37% from the prior year.

Government launches Task Force on Financial Literacy

In June, the federal government announced the establishment of Canada's Task Force on Financial Literacy to help create a cohesive national strategy to support initiatives across Canada aimed at improving financial education.

"Recent events have shown us that there are major risks and that financial literacy is an important life skill," said Finance Minister **Jim Flaherty**.

The task force will be chaired by **Donald Stewart**, CEO of Sun Life Financial Inc., and **Jacques Ménard**, Chairman of BMO Nesbitt Burns, will be Vice-Chair. The members of the task force are drawn from business, education, community organizations and academia.

New and Noteworthy (continued)

There are new players managing the finances at Canada's largest insurance companies. **Manulife Financial Corporation** has announced the appointment of **Michael Bell** as Senior Executive Vice President and Chief Financial Officer, while Sun Life Financial has announced the appointment of **Colm Freyne** as Executive Vice-President and Chief Financial Officer. Both Mr. Freyne and Mr. Bell assumed their duties in July.

In August, **Scotiabank Group** launched an enhanced suite of insurance products and services, to coincide with the opening of the Group's first retail storefront, a ScotiaLife Financial insurance centre. Canada's banks and insurance companies disagree on whether and how banks should be allowed to market insurance products, and the opening of the centre sparked new controversy over the issue.

Canada's leading financial educator, **CSI**, announced in August that it will deliver a new advanced education program for Chinese compliance executives. The new program is the latest endeavour to come from CSI's seven-year partnership with the **Securities Association of China** (SAC). The relationship has been so successful that CSI has been named the official education partner of the SAC, the only Canadian entity to enjoy such standing in the Chinese securities industry.

The Governments of **Canada** and **Ontario** are investing \$305 million in the revitalization of historic Union Station in Toronto – an improvement long flagged by the city's financial community as a crucial infrastructure project. Union Station is Canada's busiest passenger facility and the central access point for Ontario's public travelling by rail. In the future, it will link to Pearson International Airport. It already handles 65 million passengers a year, a number that will grow significantly.

This fall, **Ryerson University** launches the Certificate in Financial Management in Canada to address the needs of internationally educated accounting and financial services professionals who require a Canadian-specific knowledge base to find employment and to practice confidently. Potential participants are typically adults in mid-career, who currently work in, or are hoping to enter, the accounting profession or the financial industry in Canada and seek formal Canadian qualifications in the field to advance their careers.

Seneca College has introduced a Property and Casualty Insurance program which gives students the opportunity to fast track to a high-demand career in the insurance industry, while getting paid work experience. The six-subject course provides a seven-week paid work term in an insurance office, which takes place during the 14-week program, so that students gain industry experience while they learn.

Upcoming events

October 7, 2009

"Hedge Funds and the Battle for Credit Risk Transfer," luncheon presentation by AIMA Canada, in Toronto
www.aima-canada.org

October 29, 2009

Manager – Operations Forum, presented by Investment Funds Institute of Canada, in Toronto
www.ific.ca/events

October 30, 2009

Rotman School of Management MBA Leadership Conference, in Toronto
www.rotman.utoronto.ca

November 5-7, 2009

We See Leadership: CGA Ontario's Conference 2009, in Toronto
www.cga-ontario.org

January 25, 2010

Toronto Board of Trade's 122nd Annual Dinner, in Toronto
www.bot.com

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, VP, Bus. Development

Tel. 416.397.4817

Brian Smith, *Update* Editor

Tel. 416.822.3130