



January 2013

Toronto reaches out to other global financial hubs

New York and London to be the focus in 2013

Canada is closest to the U.S. and the U.K. thanks to shared geography and shared tradition, and it is with financial centres in the U.S. and the U.K. that the Toronto Financial Services Alliance (TFSA) continued to build closer relationships in 2012 – and intends to continue to focus on in 2013.

The sharpened focus on New York and London responds to a growing interest expressed by firms in those cities to expand their operations in Toronto Region.

In the closing months of 2012, the TFSA organized business missions to both London and New York in order to promote Toronto's advantages as a financial hub, and woo both the people and the investments that will make Toronto stronger still.

In London, more than 100 financial services executives attended a TFSA-held reception, with the TMX's **Kevan Cowan** as the keynote, speaking on the strength and scope of the talent base in Toronto, which has vaulted Toronto to a global leadership position in mining, metal and clean energy financing. In subsequent private meetings, the TFSA team followed up with executives who expressed interest in expanding in Toronto.

The December visit to New York focused on technology. Working in partnership with Ontario's Ministry of Economic Development and Innovation and a delegation led by the Minister, **Brad Duguid**, TFSA helped organize a seminar on FS technology opportunities in Toronto, attended by more than 80 senior executives.

"New developments in ICT have become a driving force for innovation and business development in the banking, investment and insurance sectors," said Ms. Ecker. "Since Toronto is home to half of Canada's professionals in financial services technology, it is the logical place for technology companies to set up shop."



Brad Duguid (centre) and Janet Ecker (second from right) on delegation visit to the NYSE

Toronto Continues To Score Highly In Global Surveys

Toronto's status as a major global financial hub was confirmed by several important surveys in recent months.

In the 12th edition of the **Global Financial Centres Index**, released in September, Toronto again ranked as one of the world's top 10 financial hubs.

U.K.-based **The Banker**, one of the leading financial publications in the world, ranked Toronto #7 among international financial centres in its annual rankings published in October – the second year in a row Toronto ranked in the top 10.

Also in October, **PriceWaterhouseCoopers** released the fifth edition of its "Cities of Opportunity" report, a global study by PwC of 27 centres of finance, commerce and culture. Toronto finished in third place in 2012, ranking ahead of global cities like Paris, Singapore, Hong Kong and Tokyo.

Toronto's #2 ranking in four indicators was unique, PwC reported: no other city finished so highly and consistently this year. In particular, Toronto scored highly in the Intellectual Capital and Innovation indicator, making the top 10 in all 9 variables. The city performed especially well in education variables such as class size, literacy and school enrolment, and also for its entrepreneurial environment.

Ontario is “Open for Business”

TFSA to coordinate FS participation in initiative

The Government of Ontario has asked the Toronto Financial Services Alliance to represent the views of the financial services industry as a participant in the government’s “Open For Business” initiative.

The goal of the initiative is to improve the competitiveness of the economy without adding to the government’s expenses, and the financial services sector was one of five sectors chosen by the government, in recognition of its relative importance to the economy.

After consultations, TFSA members reached a consensus around five recommendations which were presented to the Minister of Economic Development and Innovation, **Brad Duguid**:

- Organize a regular roundtable with government, regulators and industry to discuss policy issues;
- Remove legislative and regulatory impediments to Islamic and alternative financing;
- Enhance ties with South America by establishing an Ontario International Marketing Centre in the region;
- Address two issues of concern to the P&C insurance industry: reworking the definition of catastrophic impairment and revamping the mediation/arbitration process

A joint public report outlining the recommendations will be released this Spring.



Janet Ecker and Brad Duguid at Open for Business meeting

Canada's and Toronto's talent pool continues to grow

OECD study praises Canada's education system

Canada ranks first among industrialized countries in the proportion of adults with a college education and eighth in the portion of adults with a university education, according to an annual study on education by the Organization for Economic Co-operation and Development (OECD).

Canada “continues to be a leader in higher education, with its high attainment rates and its ability to produce a skilled work force with generally good labour-market outcomes,” the paper said.

There are “areas for improvement” however. Labour outcomes for young adults “show signs that the economic crisis hit this group particularly hard.”

Canada’s youth jobless rate has risen, and employment levels are lower than a year ago – but both are considerably better than those experienced recently in the European community.

Higher levels of education tend to boost earnings. In Canada, someone with higher education earns an average of 38 per cent more than an individual without.

Canadian banks continue to ring up profits in 2012

Canada's banks finished reporting their year-end results in early December, and 2012 was another year of record profits, fuelled by higher consumer borrowing and a rebound in capital markets activity.

Collectively, Canada's five biggest banks – all headquartered in Toronto – reported net income totalling more than \$28 billion for the fiscal year ended October 31, up nearly 18 per cent from the prior year.

Continuing low interest rates, however, are putting strain on net interest margins at all the banks, and analysts predict that it will be harder to chalk up record earnings in 2013.

The Canadian banks also reported strong capital positions at the close of the year. They are among only a few global banks able to meet new Basel capital standards as early as 2013.

Mayor of Toronto leads business mission to Chicago

Toronto Mayor **Rob Ford** led a business mission to Chicago in the fall to reinforce the close ties between Toronto and America's “Second City.”

The delegation included senior executives from a variety of sectors, including financial services.

While there, the Canadian business delegation met with their Chicago counterparts and participated in a “Panel on Cities.” **Tom Kloet**, CEO of TMX Group, was one of two keynote speakers and outlined Toronto's strength as a global financial services centre. TFSA's **Janet Ecker** moderated the panel.

New and Noteworthy

Canada has moved up three places to eighth in a global comparison of the most advantageous place to pay corporate taxes, placing the country in the top 10 for the first time. The annual study by PwC, in conjunction with the World Bank and the International Finance Corporation, shows Canada moving sharply up in a 185-country comparison. Canada placed 28th as recently as 2010, but continuing reductions of the corporate rate both federally and provincially, as well as reduced red tape, have dramatically improved Canada's standing.

Wells Fargo & Co is expanding its lending, treasury management and other services for corporate customers in Canada. Under its new license, the San Francisco-based bank will have commercial banking, global banking, commercial real estate and energy banking businesses in Canada. The bank said it will aim to serve existing U.S. customers with subsidiaries in Canada, Canadian companies with business in the United States and local Canadian companies. Wells has about 75 employees in offices in Toronto, Vancouver, Calgary and Montreal.

Law firm **Fraser Milner Casgrain LLP** plans to merge with London- and Washington-based SNR Denton and London's Salans, creating a 2,500-lawyer global giant with offices around the world. If approved in votes by all of the firms' partners, the merger would see FMC and the others involved rebranded as Dentons. While the name of one of Canada's top firms would disappear, the move would introduce another competitor with global reach into Canada's legal marketplace.

One of Canada's largest business groups named **Don Guloien**, chief executive of Manulife Corp., as its 2012 international business executive of the year. The Canadian Chamber of Commerce noted he had played a major role in the insurance company's push into Europe, Asia and the United States over the past two decades. The national association, representing about 192,000 Canadian businesses through a network of local organizations, formally presented the award on Nov. 15.

Canada has introduced its final capital adequacy rules for banks, even though other jurisdictions continue to experience delays implementing the Basel III reforms. The **Office of the Superintendent of Financial Institutions** issued the guidelines in December to come into effect on Jan. 1, 2013. While the Basel agreement allows for a lengthy phase-in period, OSFI adopted the requirements early "due to the relatively strong position of Canadian banks and the benefits associated with early adoption."

One of Canada's best-known economists is retiring from her post as Chief Economist for BMO Financial Group. Dr. **Sherry Cooper**, who once worked for Paul Volcker when he chaired the Federal Reserve Bank, still provides advice to U.S. government officials as a member of a select committee of economists pulled together by the American Bankers Association.

UPDATE: Canada brings in new investment rules for SOEs

In December, the federal government approved a proposal for the Chinese National Off-shore Oil Corporation (CNOOC) to purchase Nexen – in effect making Nexen a Chinese state-owned enterprise (SOE).

At the same time, the government indicated that no more acquisitions of oil-sands properties by SOEs will be permitted in future.

Under the new guidelines, the federal Minister of Industry will be charged with carefully monitoring state-owned enterprise transactions throughout the Canadian economy to determine if they are of net benefit to Canada.

In so doing, the minister will be expected to assess how much control or influence the SOE might exert on the Canadian business being acquired; how much influence it will have on the industry in which the Canadian business operates; and how much control the foreign government might exert on the operations.

New immigration rules in place

Canada will welcome up to 3,000 skilled tradespeople under new immigration rules introduced with last year's federal budget.

"For too long, Canada's immigration system has not been open to these in-demand skilled workers," said Immigration Minister **Jason Kenney**.

"These changes are long overdue and will help us move to a fast and flexible immigration system that works for Canada's economy."

New and Noteworthy (continued)

Brian Porter, a 31-year veteran of Bank of Nova Scotia, Canada's third-largest bank, has been named president of the bank, assuming that role from Rick Waugh, who remains as chief executive officer. Mr. Porter most recently ran Scotiabank's international division, which has operations in more than 55 countries from Latin America to Asia. At the same time, Scotiabank announced the promotion of **Sue Graham Parker** to Executive Vice President, Global Human Resources. Ms. Parker is a member of the TFSA Board of Directors.

In December, **Standard & Poor's Ratings Services** re-affirmed Canada's triple-A rating, citing the strengths of its economy and its record in fighting the crisis. "Canadian authorities have a strong track record in managing economic and financial crises and delivering economic growth," the agency said in a statement.

Roger Martin, the high-profile dean of the Rotman School of Management has decided to step down after 14 years. He will step down on June 30. He will continue to work as a professor at the university and will head two research institutes there.

A Canadian has been chosen to chair the newly formed Global Federation of Insurance Associations. **Frank Swedlove**, president of the Canadian Life and Health Insurance Association, said he was honoured to be selected. Thirty-one insurance associations representing 87% of the worldwide insurance business came together to establish the Federation in October. GFIA will be active in commenting on a broad range of issues affecting the international insurance industry.

Canada ranked number 2 on this year's Country Brand Index, compiled by **FutureBrand**. Switzerland, which ranked number 2 last year, edged out Canada for the top spot. The report focuses on a variety of measures, including governance, the investment and business climate, health care, education, culture and tourism. In another report, the first ever ranking of Canada's top commercial brands by **Level5 Strategy Group** in partnership with London-based Brand Finance, Canada's five largest banks nailed down five of the top six spots.

Bank of Nova Scotia ended the year on a bang, being named Bank of the Year by The Banker magazine – the first Canadian bank ever selected for the distinction. Scotiabank was also named Bank of the Year in the Americas for 2012. On a personal note, Scotiabank CEO **Rick Waugh** was named an Officer of the Order of Canada at year-end.

Upcoming events

January 28, 2013

Scotiabank CEO Rick Waugh to be honoured at 125th annual Toronto Board of Trade Dinner, in Toronto (www.bot.com)

January 31, 2013

Investment Industry Association of Canada President & CEO Ian Russell addresses the Empire Club, in Toronto (www.empireclub.org)

February 19, 2013

"International Investing from the Front Lines." Panel discussion with CEOs Michael Nobrega (OMERS), Jim Leech (Teachers) and Mark Wiseman (CPPIB), at the Canadian Club, in Toronto (www.canadianclub.org)

February 20, 2013

Richard L. Sandor, author of "Good Derivatives: A Story of Financial and Environmental Innovation," speaks at Rotman Master of Finance Speaker Series, in Toronto (www.rotman.utoronto.ca)

We want your input.

Please contact us if you have comments or questions about TFSA. If you have news items 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.

Marta Andradzka,
Senior Marketing Coordinator
Tel. 416. 933.6788
Brian Smith, *Update* Editor
Tel. 416.822.3130