



# It's full speed ahead for Global Risk Institute

## Project secures its public-private financing

At a much-anticipated news conference on September 13, federal Finance Minister **Jim Flaherty** and Ontario Finance Minister **Dwight Duncan**, accompanied by Toronto Mayor **David Miller**, announced their two governments' approval to provide initial funding of \$10 million each over ten years, to support a proposed Global Risk Institute in Financial Services (GRi).

"The institute will leverage Canada's strong financial record and reinforce our financial sector brand," said Mr. Flaherty.

"The leadership provided by the institute will help ensure the financial services sector remains a growth engine for our province that will continue to create thousands of high-paying jobs and protect the interests of consumers and investors," said Mr. Duncan.



Mayor and ministers announce funding

The institute was a key recommendation in a comprehensive financial services strategy designed to attract jobs and investment. It was unveiled last November. Initiated by the Toronto Financial Services Alliance (TFSA) and a cross-sector group of financial companies and organizations, the strategy will also raise Toronto region's profile as a global financial hub. Private sector funding has already been raised to match the governments' financial commitment.

Chair of the interim board for the institute is **Bev Margolian**, Chief Risk Officer of Manulife Financial, and Toronto businessman **Don Hathaway** has been named interim CEO. Their goal is to have the organization up and running early next year.

With links to Canada's leading universities and recognized risk experts around the world, the institute will provide applied research in integrated risk management across multiple risk management disciplines. The research will help foster best practices by practitioners, more effective collaboration among regulators, policy makers and the industry, and support education and professional development.

## Private sector throws support behind GRi

In addition to government funding, 16 financial services organizations have pledged funding to the Global Risk Institute. Confirmed donors to date are:

- AGF Management Limited
- Bank of Montreal
- Canadian Imperial Bank of Commerce
- Canadian Institute of Actuaries
- Canada Pension Plan Investment Board
- Deloitte
- Insurance Bureau of Canada
- Intact Financial Corporation
- Mackenzie Financial
- Manulife Financial
- Ontario Municipal Employees Retirement System
- Ontario Teachers' Pension Plan
- Royal Bank of Canada
- Scotiabank
- Sunlife Financial
- TD Bank Financial Group

The Financial Services Leadership Council oversees the Toronto global hub strategy which generated the risk institute concept. The council is chaired by **Dominic D'Alessandro**, the former CEO of Manulife Financial.

# Canada's banks "soundest in world": World Economic Forum

## Third straight year Canada earns distinction

The World Economic Forum (WEF), a Geneva-based think-tank, has again ranked Canada at the top of its list in terms of the soundness of its banking system. It is the third year in a row that the WEF has rated Canada's banking sector so highly.

The finding is included in the WEF's 2010-2011 Global Competitiveness Report, published in September.

In terms of its financial market development, Canada's availability of financial services and access to financing through local equity markets were also rated highly.

Canada was ranked tenth in the world in terms of overall competitiveness in the latest report – down one notch from last year. Switzerland was ranked No. 1.



# Ontario Premier visits China

In a roundtable meeting in Shanghai earlier this month that included representatives from both Canadian and Chinese financial institutions, Premier Dalton McGuinty promoted investment in Ontario by highlighting the province's strengths and competitiveness in the financial sector.

Noting that Canada weathered the financial crisis better than any other G8 country, the Premier said, "A lot of that is thanks to the financial services sector that is centred in Toronto."

International trade missions to promote the financial services sector are part of the global hub strategy endorsed by the Government of Ontario and the Financial Services Leadership Council.

# Global Risk Institute's New CEO

## Don Hathaway named interim chief executive

The newly appointed CEO of the Global Risk Institute is no stranger to start-ups. A senior executive with strong industry knowledge, Don Hathaway has more than 30 years' experience in strategy, marketing, finance, general management and corporate governance.



Among his many roles over the years, Don served as interim director and CEO of the Ontario Centres of Excellence when they were launched in 2003, bringing together two federally incorporated and two provincially

incorporated entities as a new non-profit, non-share company with the mission of securing a sustainable competitive advantage for the Province of Ontario.

He has served as a director on more than 30 corporate boards and, since 2007, has served on the Ontario Chapter Executive of the Institute of Corporate Directors.

# Toronto dubbed a "global leader" in latest Global Financial Centres Index ranking

A leading international research study which examines major financial centres globally in terms of their competitiveness, using a set of ratings and rankings, has elevated Toronto to one of just eight "global leaders."

In the two most recent editions of the Global Financial Centres Index (GFCI), the authors, London-based Z/Yen Group, have begun assigning profiles to the 75 ranked centres based on three key measures of competitiveness: 'connectivity,' 'diversity' and 'speciality.'

Only those that lead on all three measures are considered 'global leaders,' and Toronto is one of eight (along with London, New York, Hong Kong, Singapore, Chicago, Zurich and Frankfurt).

The president of a Boston-based investment banking firm is quoted in the most recent report (GFCI-8 – September 2010) as saying, "Toronto should be proud of its achievements in recent years. They were not really considered a major financial centre about five years ago – now everyone is talking about them."

Overall, Toronto ranked 12th in the world in GFCI-8, unchanged from its ranking in the March 2010 edition.

The GFCI also breaks out centre rankings by the responses provided by respondents in various industry sectors, such as banking, asset management and insurance. New to GFCI-8 is the Wealth Management and Private Banking sub-index, in which Toronto ranked 4<sup>th</sup> behind London, Geneva and New York.

# New and Noteworthy

Canada ranked No. 4 in the world among “Best Countries for Business” in the 5th annual **Forbes** ranking, after Denmark, Hong Kong and New Zealand. The U.S., which was No. 2 last year, has slipped to No. 9. The ranking examined 128 economies along 11 dimensions, including property rights, technology, corruption, personal freedom, red tape, investor protection and stock market performance.

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The Ontario government has named **Howard Wetston**, a trusted bureaucrat and former federal court judge, as the country’s top securities regulator. Mr. Wetston, 63, was appointed chairman of the Ontario Securities Commission on October 13. Mr. Wetston was midway through a second term as chairman of the Ontario Energy Board when he was selected by Finance Minister **Dwight Duncan** to protect the province’s interests as the federal government seeks to replace 13 provincial and territorial regulators with a single entity.

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**Royal Bank of Canada** last year joined a ranking of the world’s 10 biggest wealth managers. While Bank of America Corp. and UBS AG still top the list, RBC was seventh with \$379 billion of fee-based assets under management, according to London-based Scorpio Partnership, in a study published in July.

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**Covington Capital** and **Yellow Point Equity Partners** won “Deal of the Year” awards at an event hosted earlier this fall by Canada’s Venture Capital and Private Equity Association (CVCA). Covington took home the prize in the venture-capital category while Yellow Point was recognized for the Private-equity deal of the year.

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In a letter to G-20 leaders, the **Canadian Life and Health Insurance Association**, along with 16 other insurance associations from around the globe, has expressed the firm view that a 'one-size-fits-all' approach to regulation would not be appropriate. The letter pointed out that the business model of the insurance sector was unique and quite distinct from other financial services sectors, such as banking. It expressed the hope that regulators would give careful consideration to the impact excessive capital requirements could have on the industry and consumers, and asked them to be attentive to the impact of fair-value accounting on the industry.

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**BMO Financial Group** has officially incorporated a subsidiary in China, the first Canadian bank, and one of a handful worldwide, to do so. Bank of Montreal (China) Co. Ltd. (BMO ChinaCo) provides BMO flexibility to expand its product and service offerings for Canadian and Chinese clients – including the possibility of new initiatives in wealth management and retail banking, the bank said. The bank went on to explain that national treatment will allow the bank to grow at a faster pace as China embraces financial liberalization and regulatory reform.

## UPDATE: Canadian bank earnings recover sharply from 2009

The five largest Canadian banks posted third-quarter earnings of \$4.8 billion, collectively, up nearly 10 per cent from the third quarter of last year.

For the year to date, the banks earned \$14.9 billion, up nearly 65 per cent from the same period last year.

For two of the banks – Royal Bank and BMO Financial Group – the reported earnings set new records, and all the earnings came in higher than analysts had been predicting.

The Canadian banks also continue to have strong capital positions, with Tier 1 capital ratios ranging from 11.7 per cent to 14.2 per cent.

## Toronto lowest risk city in world for employers

A first-of-its kind global study found Toronto to be the city with the lowest risk in the world to recruit, employ and relocate employees, according to Aon Consulting, the global benefits and human capital consulting business of Aon Corporation.

Aon Consulting’s “People Risk Index” measured the risks that organizations face with recruitment, employment and relocation in 90 cities worldwide by analyzing demographics, education, employment practices and government regulations. According to the Index, the five lowest risk cities for employers are Toronto, New York, Singapore, London and Montreal.

# New and Noteworthy (continued)

In September, **CIBC** completed its acquisition of an approximately \$2-billion credit card portfolio from Citigroup's Canadian MasterCard business, making CIBC the largest dual issuer of Visa and MasterCard credit cards in Canada. CIBC said it had more than \$14 billion in outstanding credit card balances prior to the addition of the MasterCard portfolio, and indicated that the portfolio would be immediately accretive to CIBC's earnings.

Measured by dollar value, the Canadian deal market during the third quarter was a blockbuster one, says **PwC** in its quarterly roundup of the Canadian M&A market. The third quarter was dominated by a small number of noteworthy deals rather than a large number of typical 'Canadian' deals, PwC said. The nature of M&A this quarter suggests the Canadian deal market is at a turning point, not in regard to deal volumes or values, but in regard to deal drivers. Achieving growth in new geographies, new markets and perhaps with controversial deal partners, will shape Canadian M&A in the months to come, the consultancy concluded.

**Scotiabank** has further extended its network in South America. In recent weeks, it announced plans to acquire Dresdner Bank Brasil S.A. - Banco Multiplo (DBB) from Commerzbank AG, and to acquire Royal Bank of Scotland's (RBS) corporate and commercial banking operations in Chile.

The search is on for a new president for the Canadian Bankers Association. The current president and chief executive officer, **Nancy Hughes Anthony**, has announced plans to retire in the new year after 40 years of working in government, the private sector and business associations.

**Alain Néemeh**, President and Chief Executive Officer of RGA Life Reinsurance Company of Canada, has been elected Chairman of the Board of Directors of the Canadian Life and Health Insurance Association Inc. (CLHIA).

**TMX Group** has filed plans to create a new alternative trading system (ATS), to be known as TMX Select. The new trading system will have functionality and pricing models separate and distinct from Toronto Stock Exchange and TSX Venture Exchange, and will feature longer trading hours, providing additional opportunities to execute trades; a simplified market structure with continuous trading of board lots only and no special terms; and strict price-time priority for visible orders.

**Sun Life** has entered into an agreement to sell its life reinsurance business to Berkshire Hathaway Life Co. of Nebraska. The transaction is expected to close on December 31. While noting that its reinsurance business is profitable, Sun Life said it is not a growth area for the company and the transaction releases capital which can be put to work in other businesses.

## Upcoming events

### November 11-13, 2010

Annual Conference of the Certified General Accountants of Ontario, in Toronto ([www.cga-ontario.org](http://www.cga-ontario.org))

### November 22, 2010

Advocis to host symposium to discuss the impact of regulation on the future of the financial services industry in Canada, in Toronto ([www.advocis.ca](http://www.advocis.ca))

### November 23, 2010

Ontario's Task Force on Competitiveness, Productivity & Economic Progress to present latest report, in Toronto ([www.competeprosper.ca](http://www.competeprosper.ca))

### November 29-30, 2010

TFSA and Ontario Ministry of Economic Development and Trade to hold financial services business event, in New York City ([www.tfsa.ca](http://www.tfsa.ca))

### December 1, 2010

Canadian Investment Awards, in Toronto ([www.investmentawards.com](http://www.investmentawards.com))

### December 9-10, 2010

Winter Members Conference of CMA Ontario, in Toronto ([www.cma-ontario.org](http://www.cma-ontario.org))

## 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](mailto:info@tfsa.ca) and put "TFSA Update" in the subject line.

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