

Industry Performance & Current Advocacy Initiatives

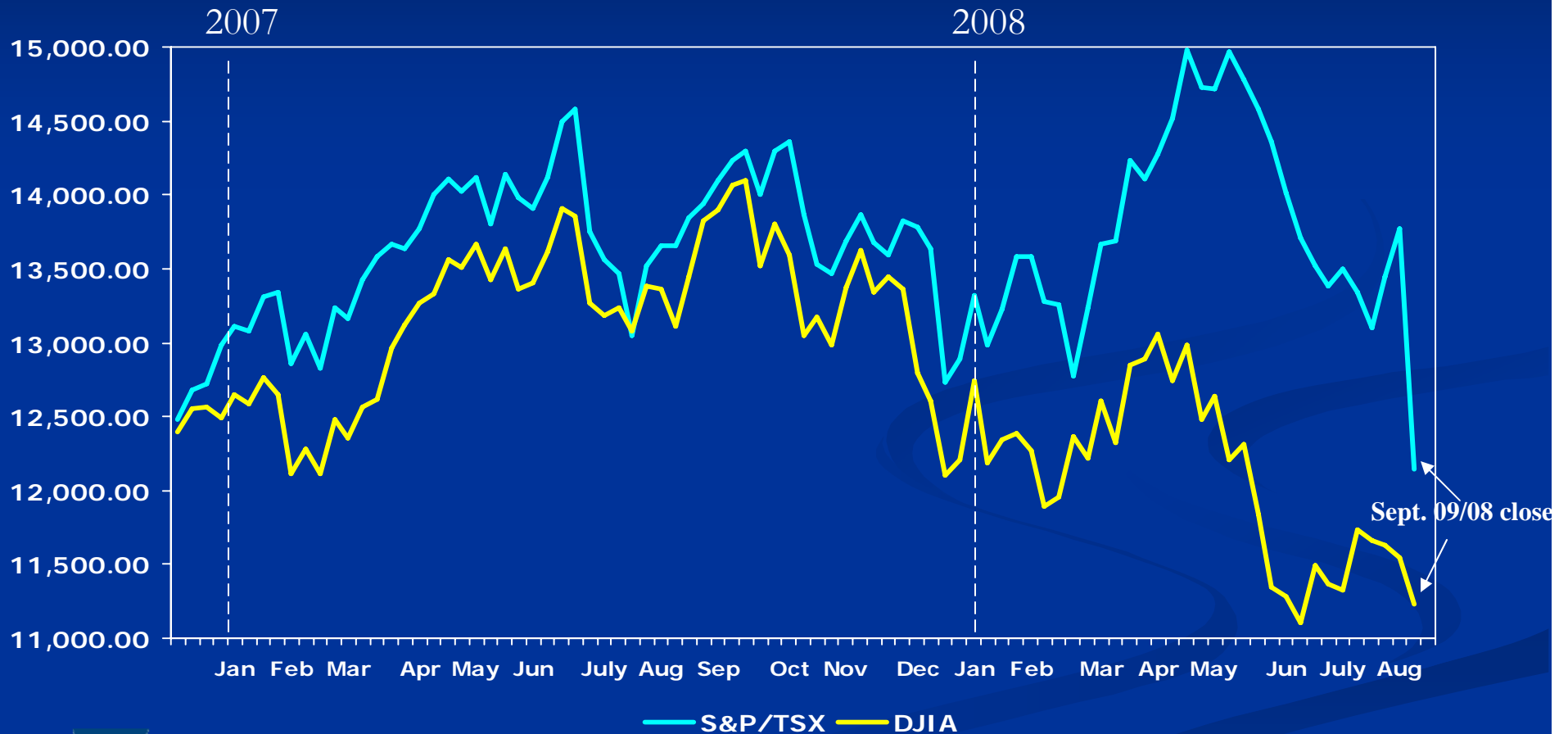
IIAC Report to FAS



INVESTMENT
INDUSTRY ASSOCIATION
OF CANADA

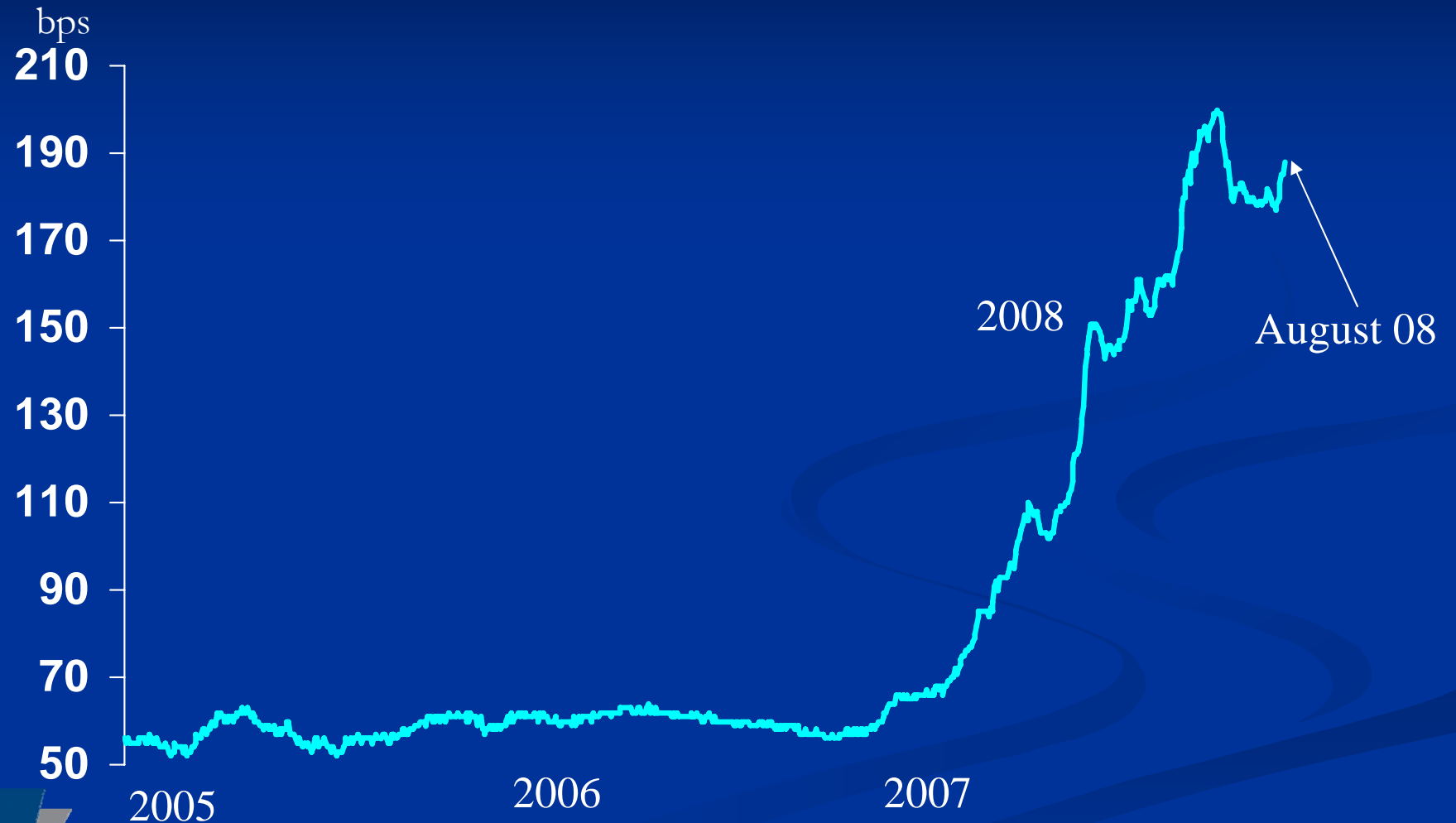
Presented By:
Jack Rando
Director, Capital Markets
Investment Industry Association of Canada

Volatile Equity Markets



Turbulent Debt Markets

Corporate Credit Spreads Widen



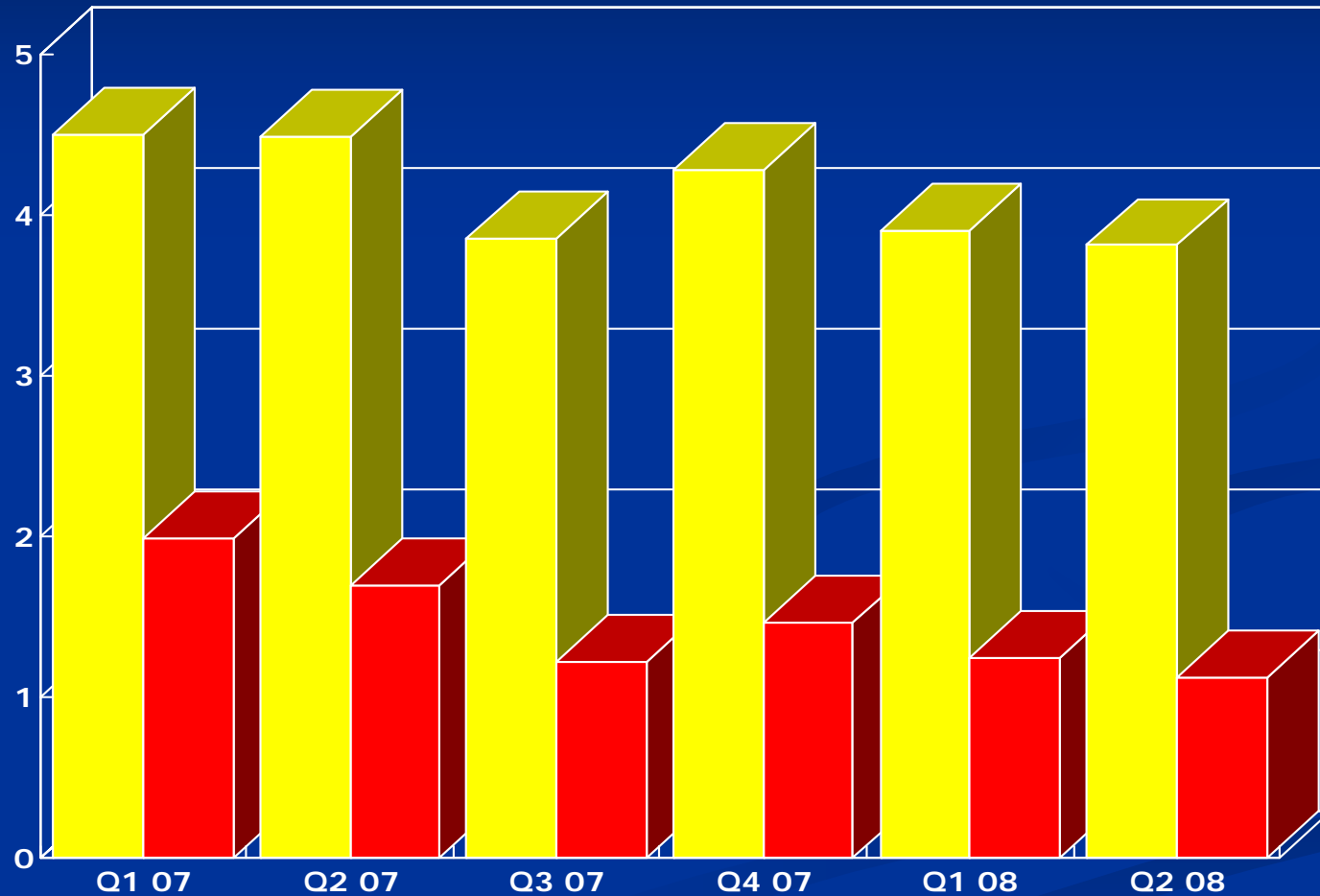
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INDUSTRY ASSOCIATION
OF CANADA

Source: Merrill Lynch Research 3

Industry Revenues & Profits

(Quarterly, in C\$ Billions)

Quarterly



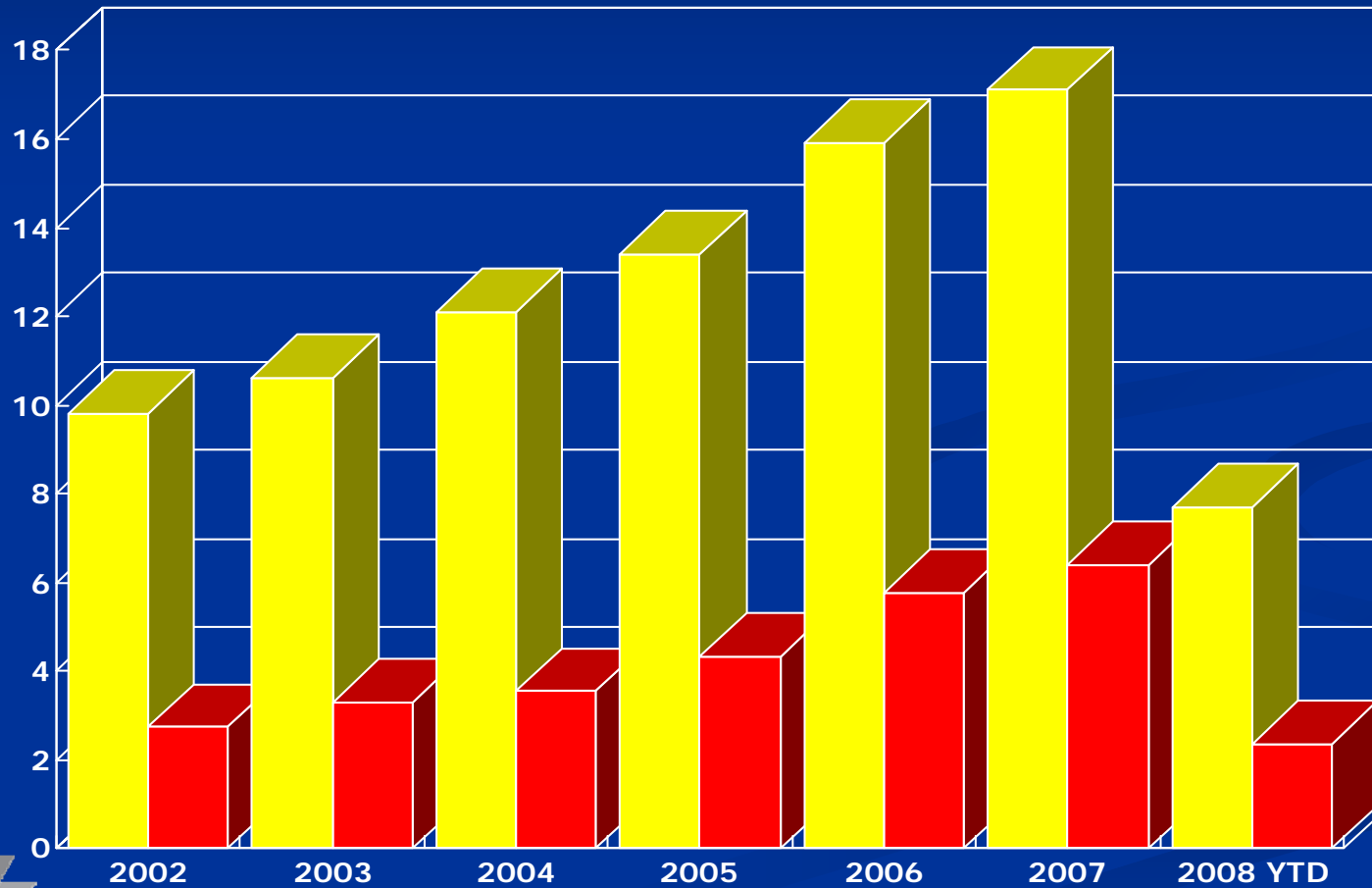
■ Revenues ■ Profits



Industry Revenues & Profits

(Annual, in C\$ Billions)

Annual

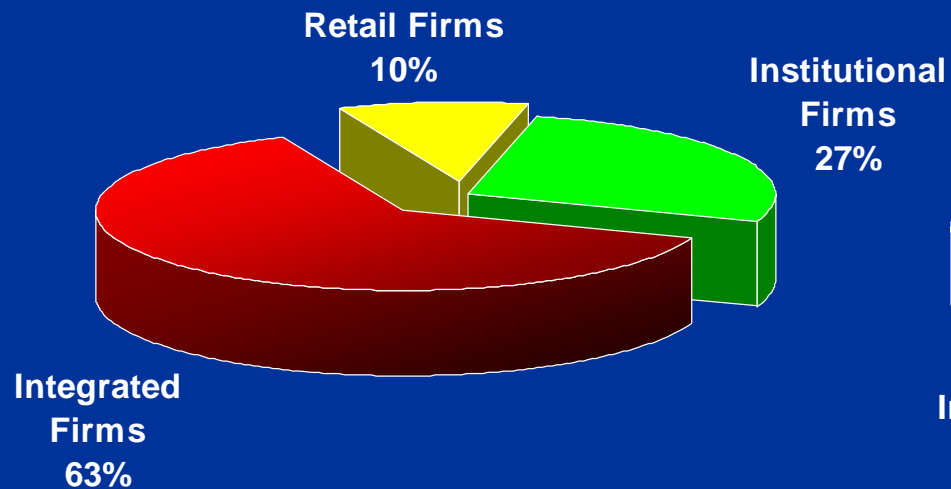


INVESTMENT
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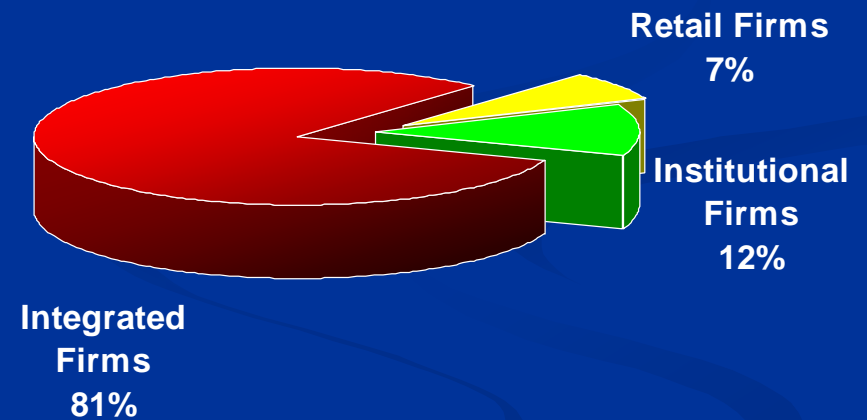
■ Revenues ■ Profits

Improved Earnings Balance Across Industry

2008

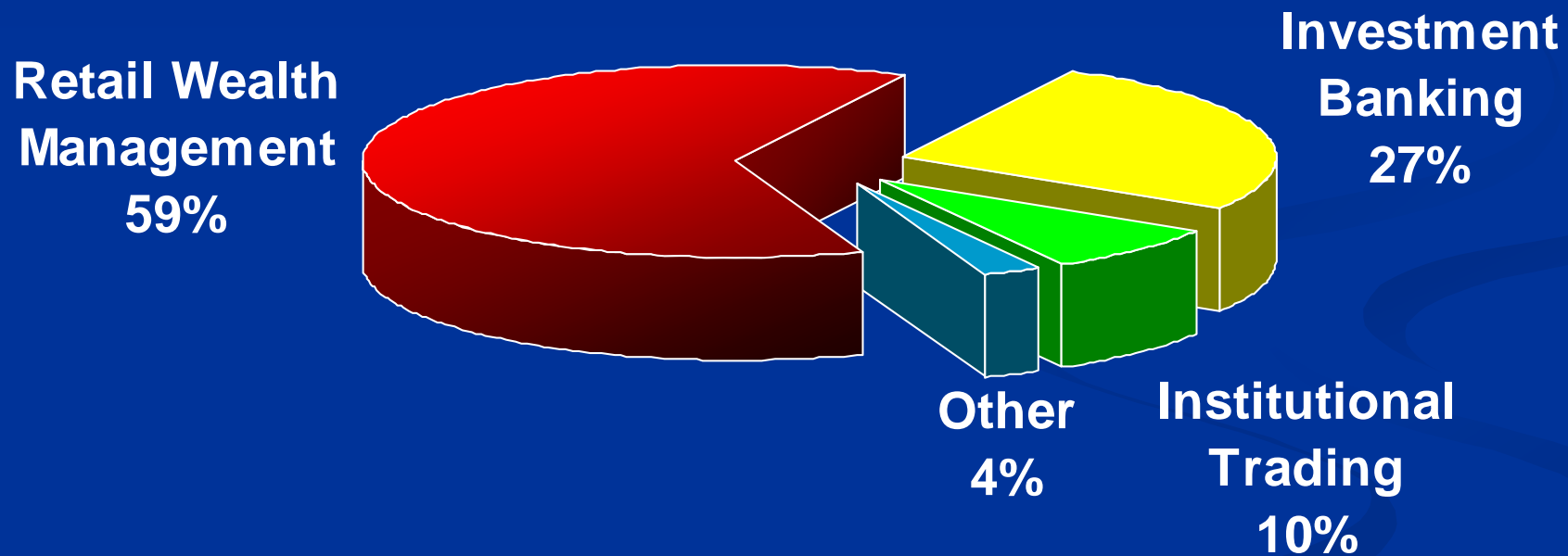


2000

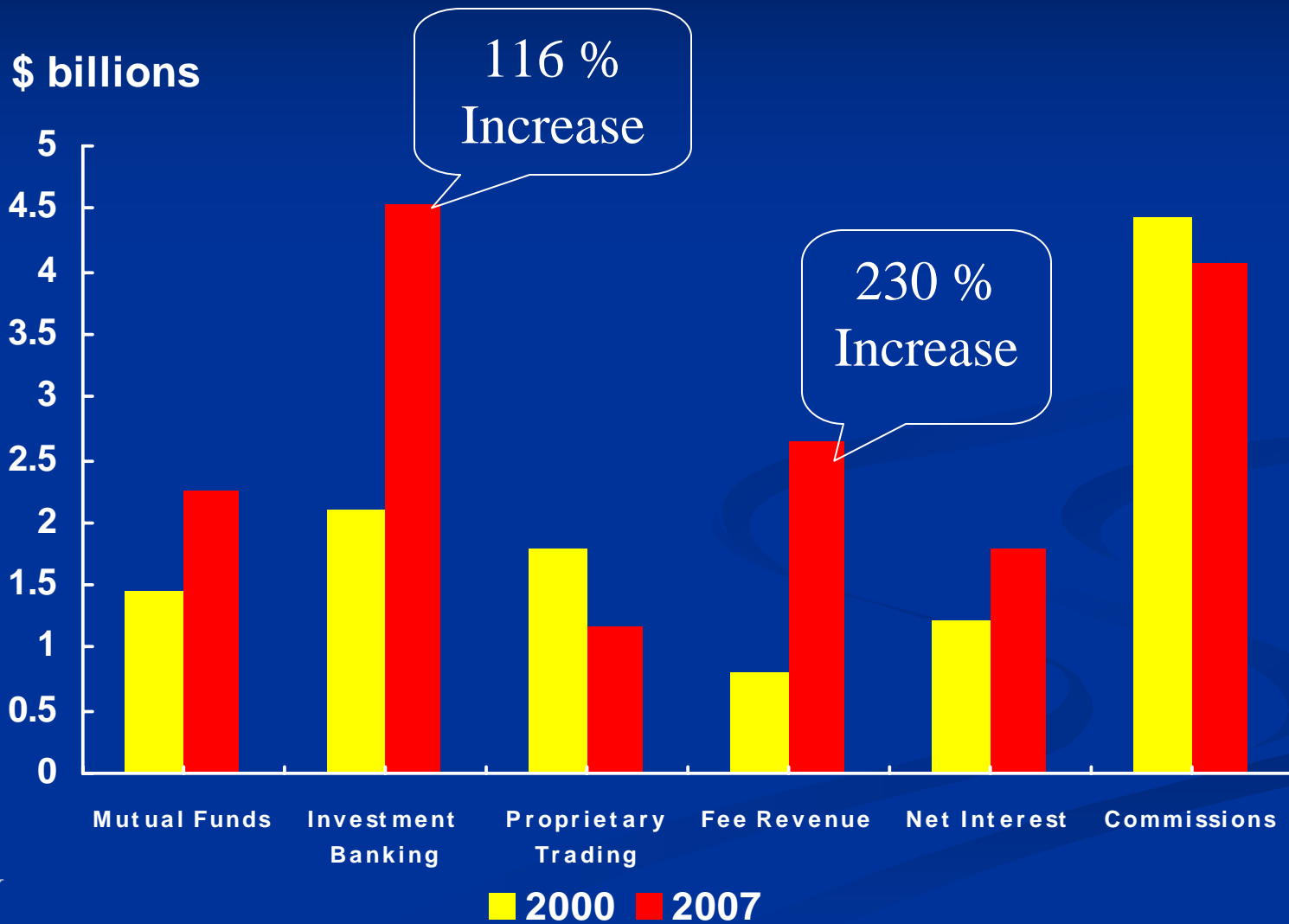


Industry Revenues

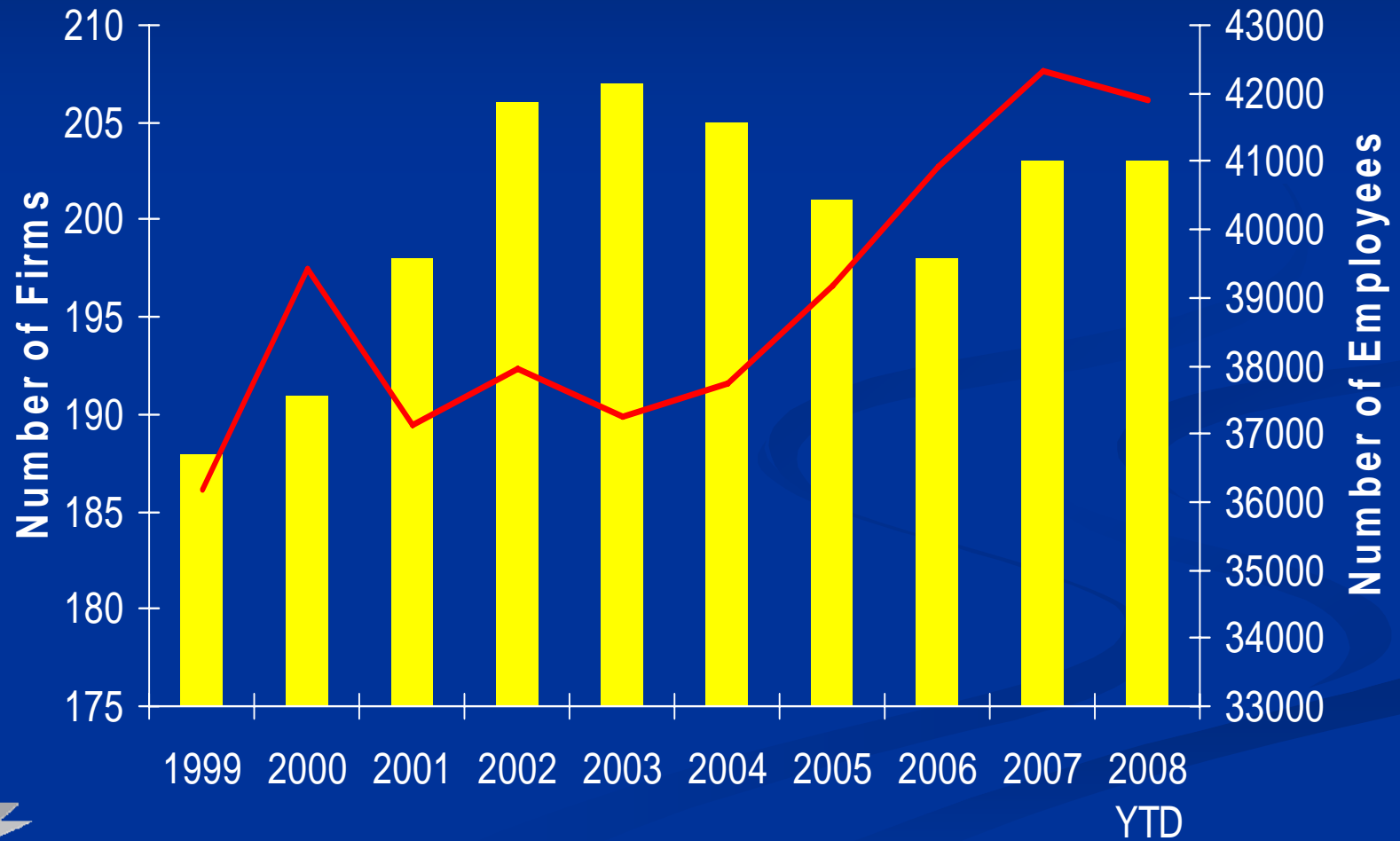
Broken by Business Line (2007)



Industry Revenues Broken by Revenue Line



Industry Employment



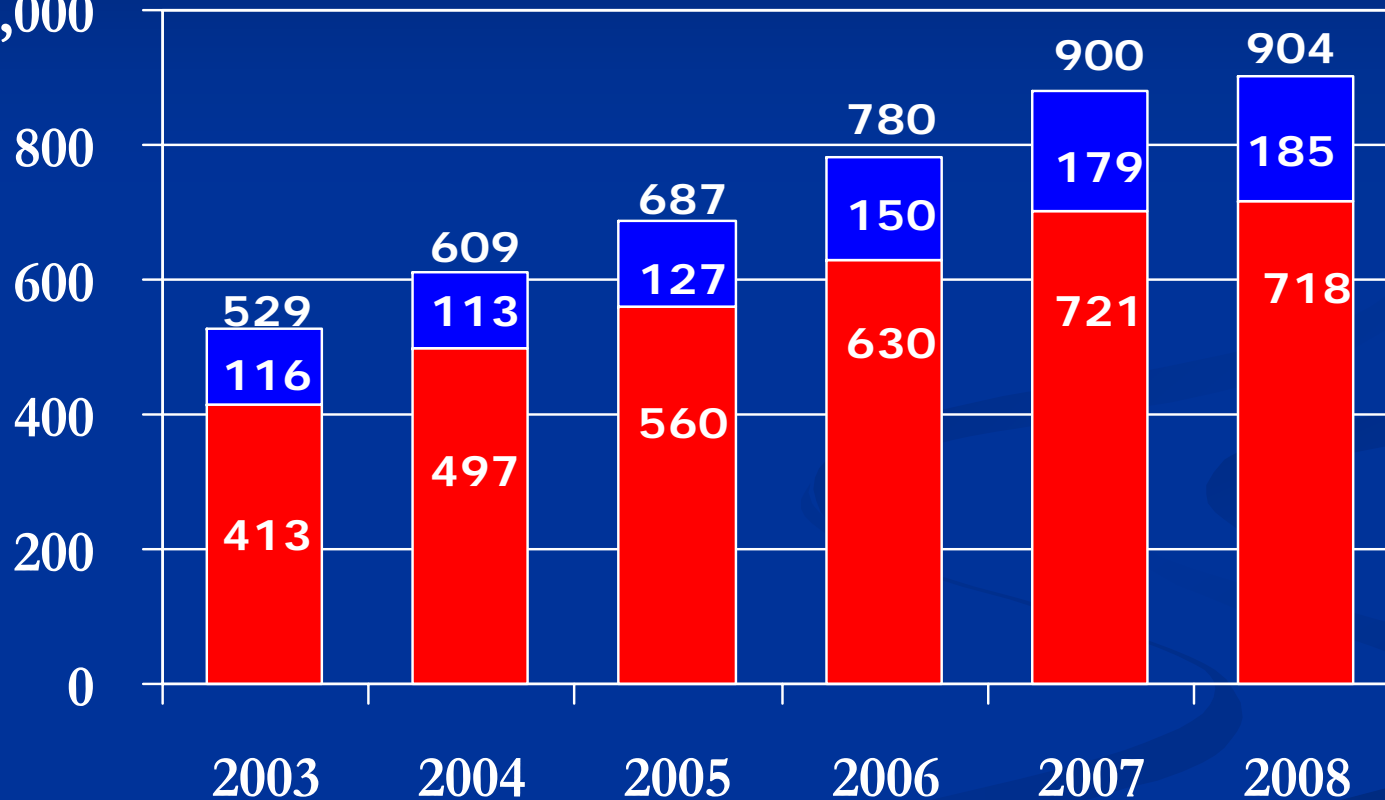
RETAIL/WEALTH MANAGEMENT



Wealth Management Retail Client Assets in Securities Industry

\$ Billions

1,000



■ Full-service brokers ■ Online/discount brokers



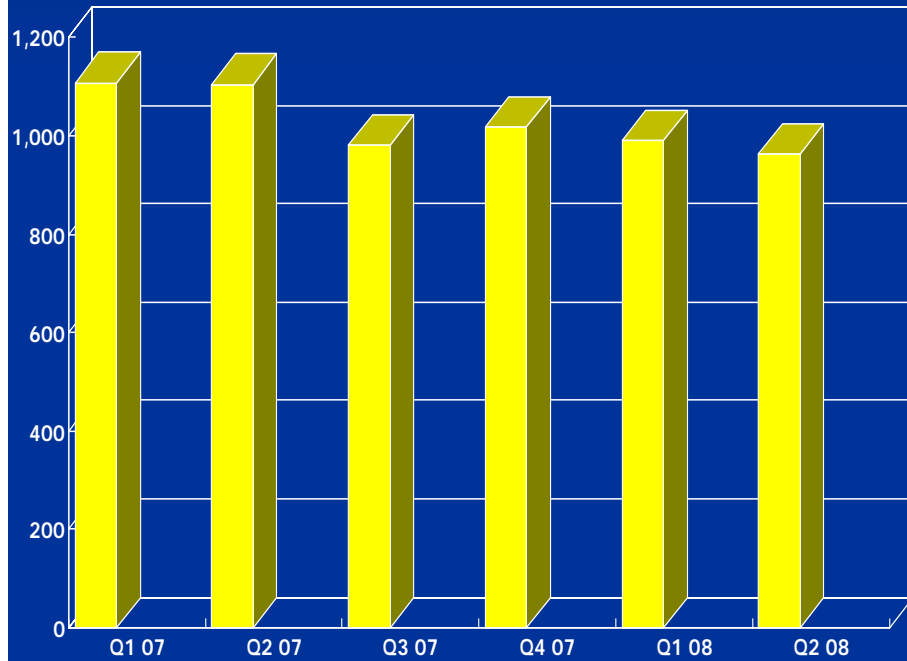
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Source: Investor Economics

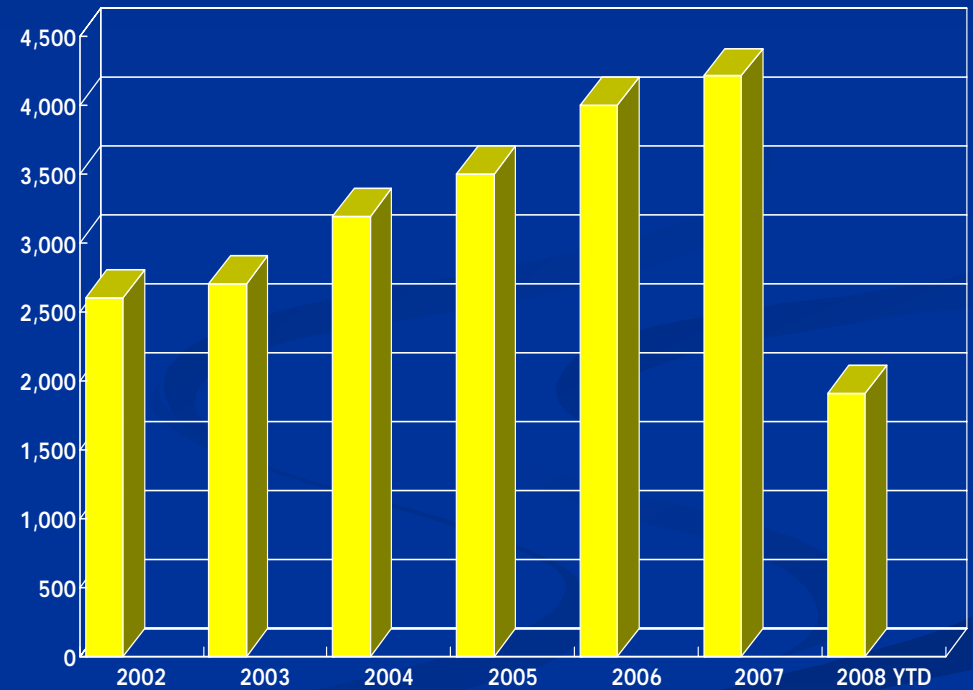
Retail Commission Revenue*

(in C\$ Millions)

Quarterly



Annual

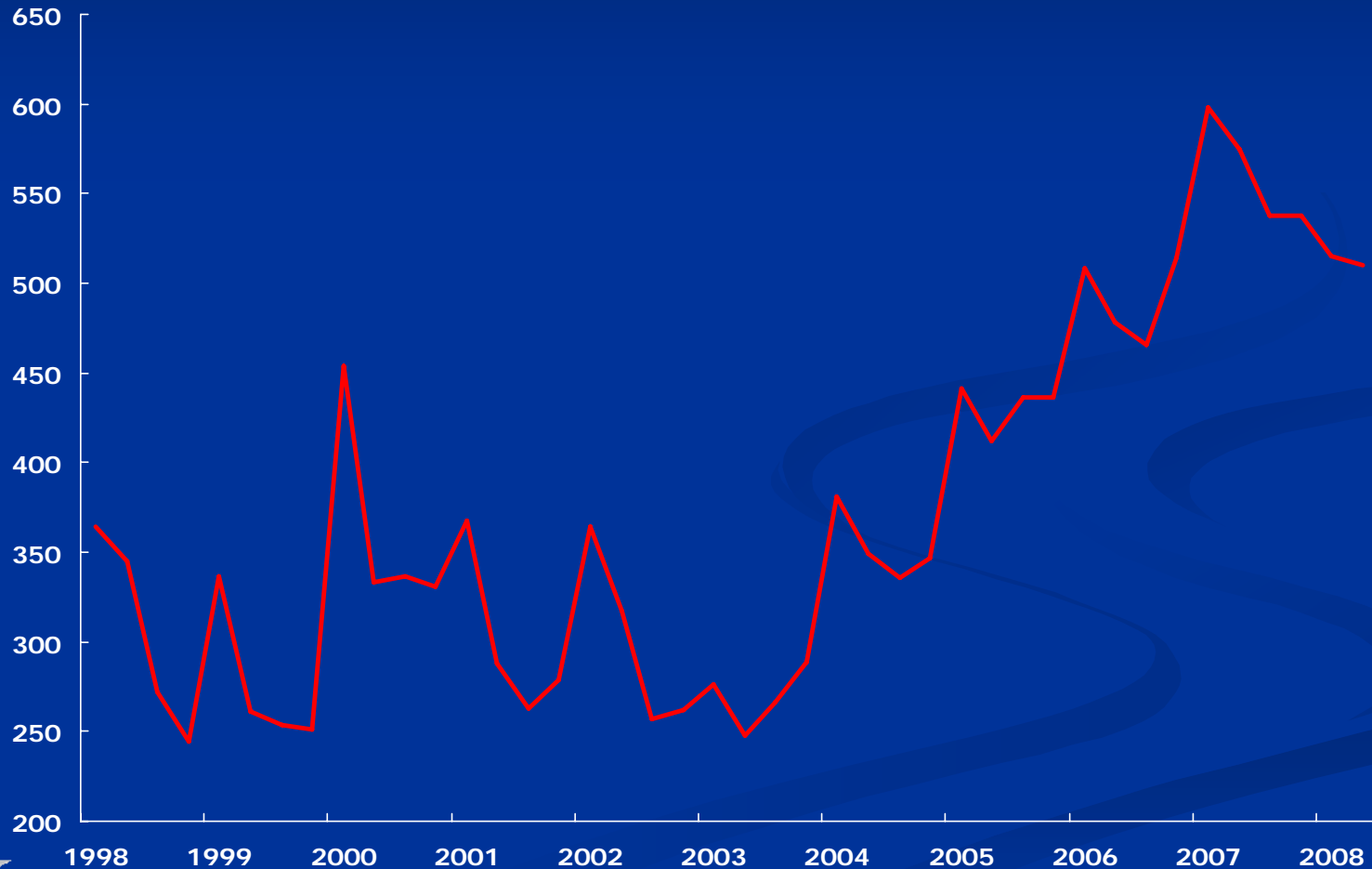


* Estimates, including mutual fund commissions

Mutual Funds

Quarterly Commission Revenue from Mutual Funds (including trailers)

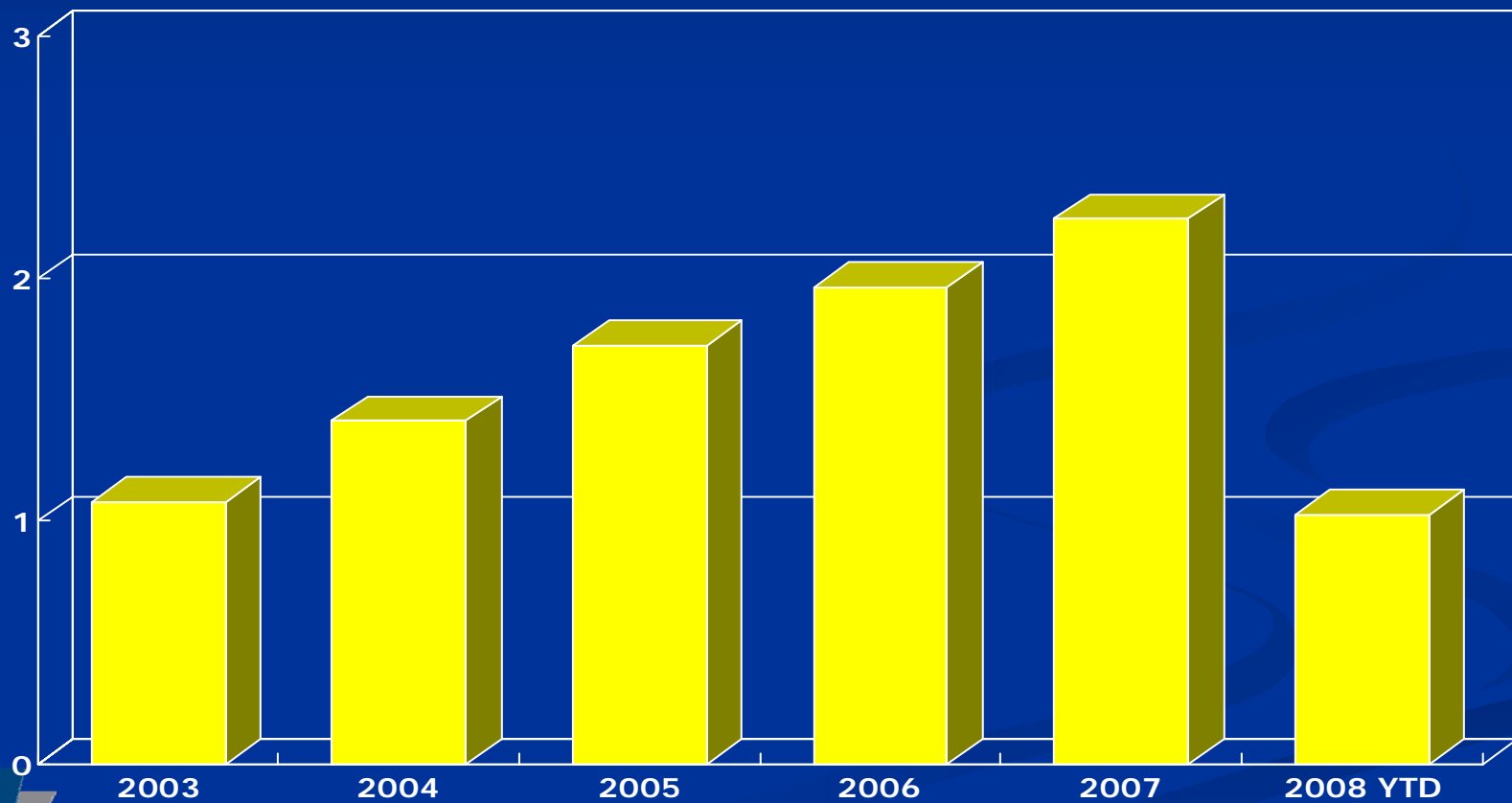
\$Millions



Mutual Funds

Annual Commission Revenue from Mutual Funds (including trailers)

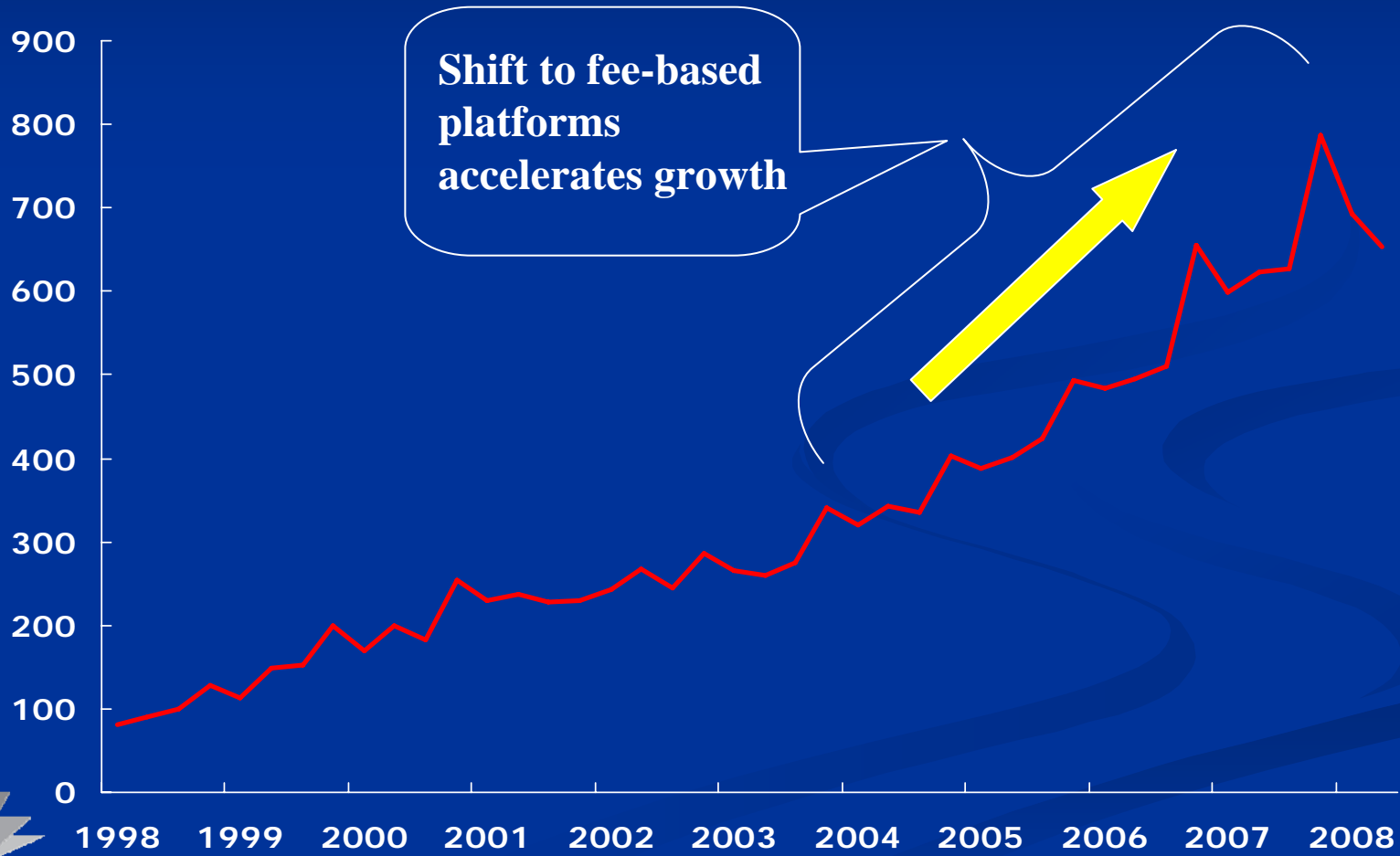
\$Billions



Fee Revenue

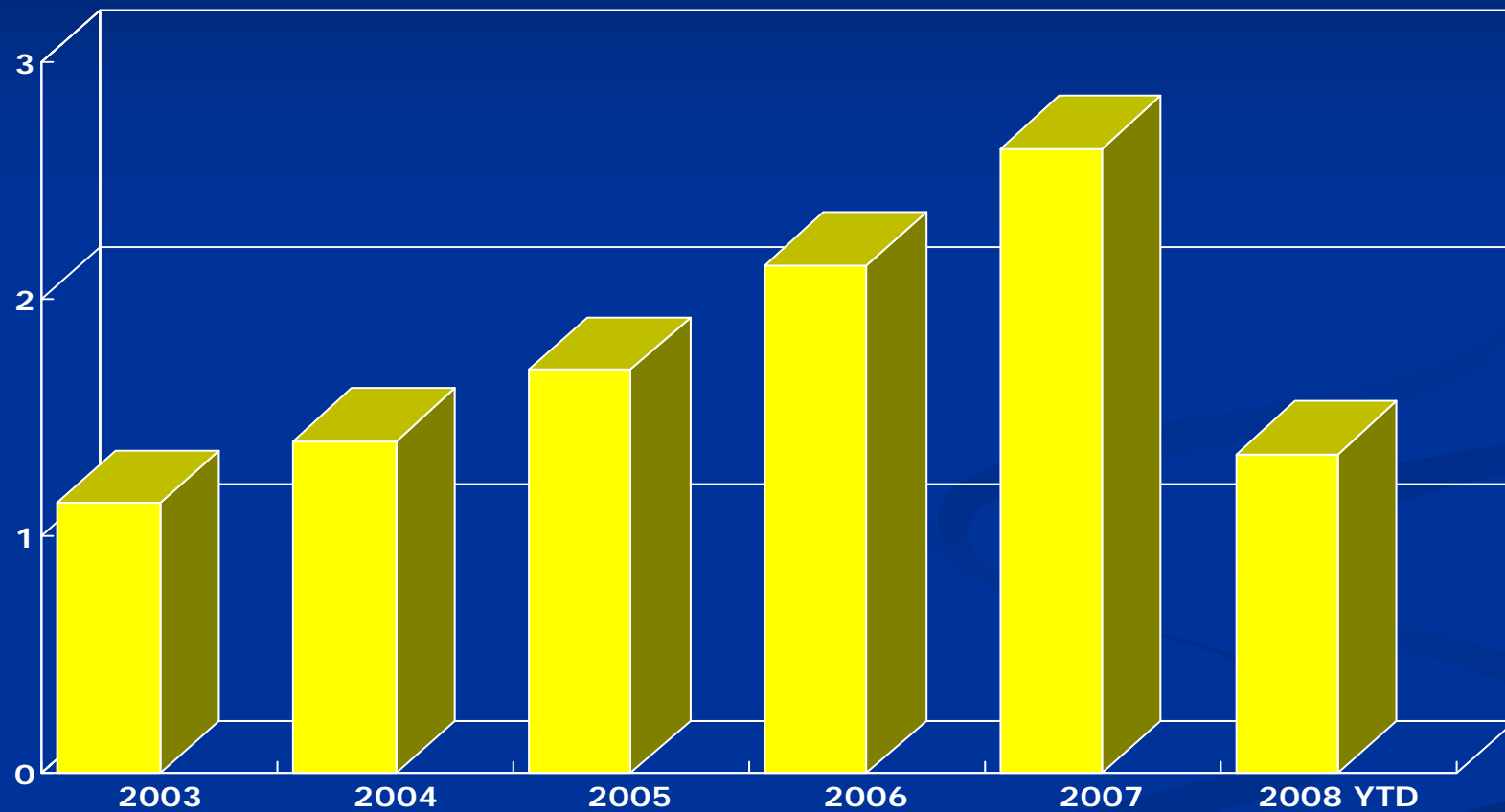
Quarterly Fee-based Revenues (excluding trailers from mutual funds)

\$Millions



Fee Revenue

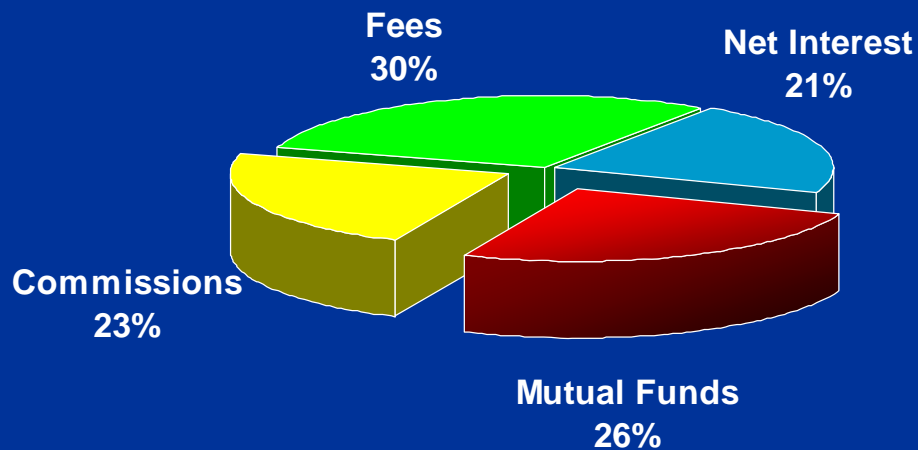
(in C\$ Billions)



Wealth Management Revenue

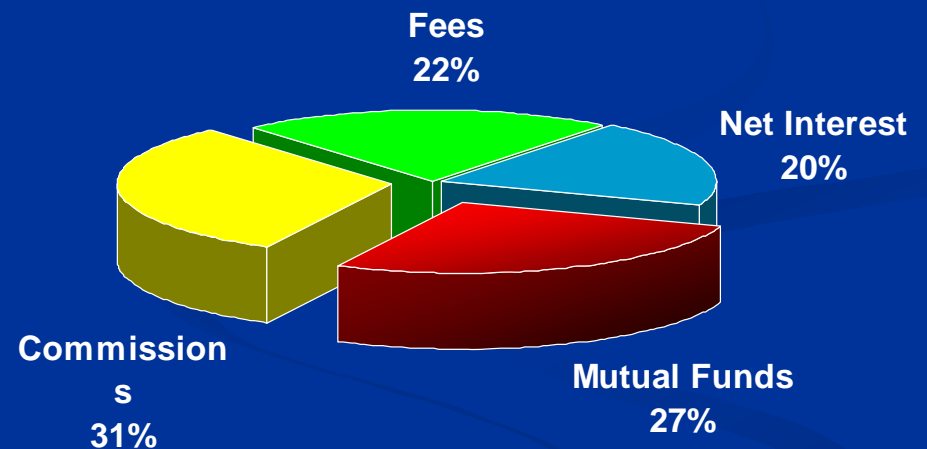
2007

Revenue = approx. \$8 B



2000

Revenue = approx. \$4.5 B



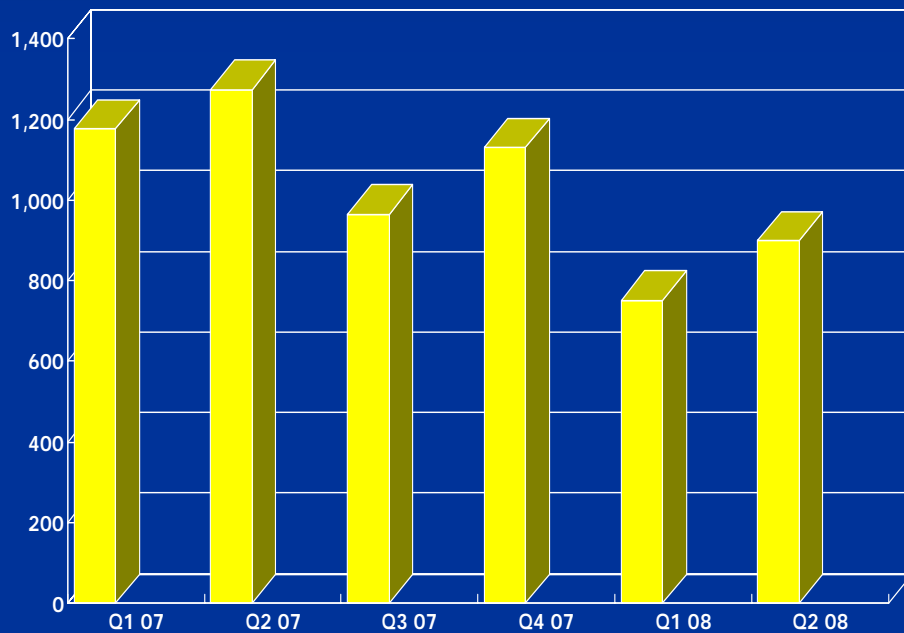
INVESTMENT BANKING and INSTITUTIONAL TRADING



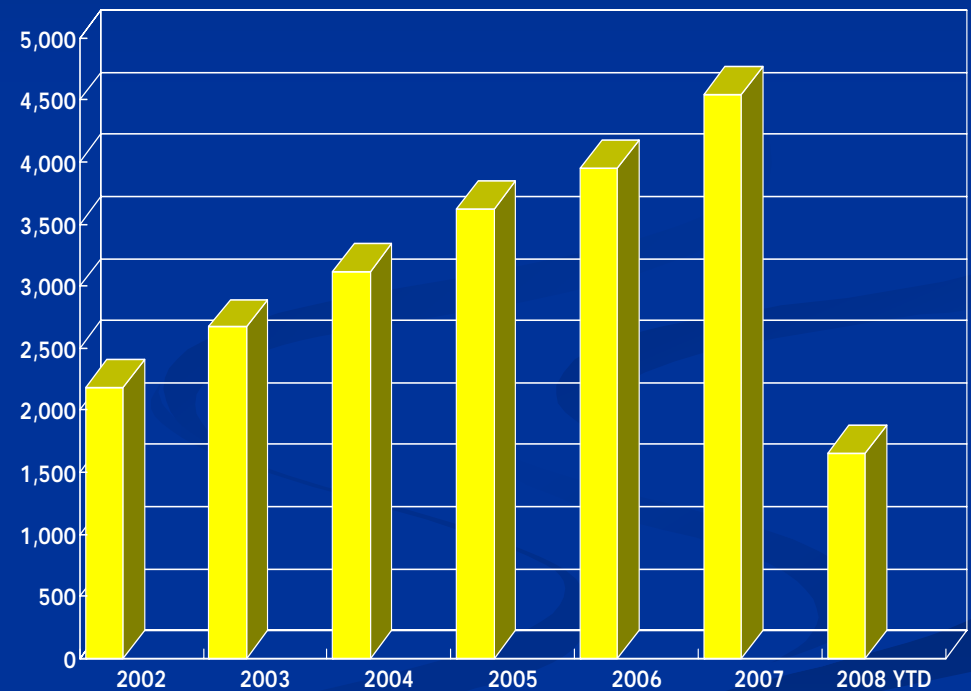
Investment Banking Revenue

(in C\$ Millions)

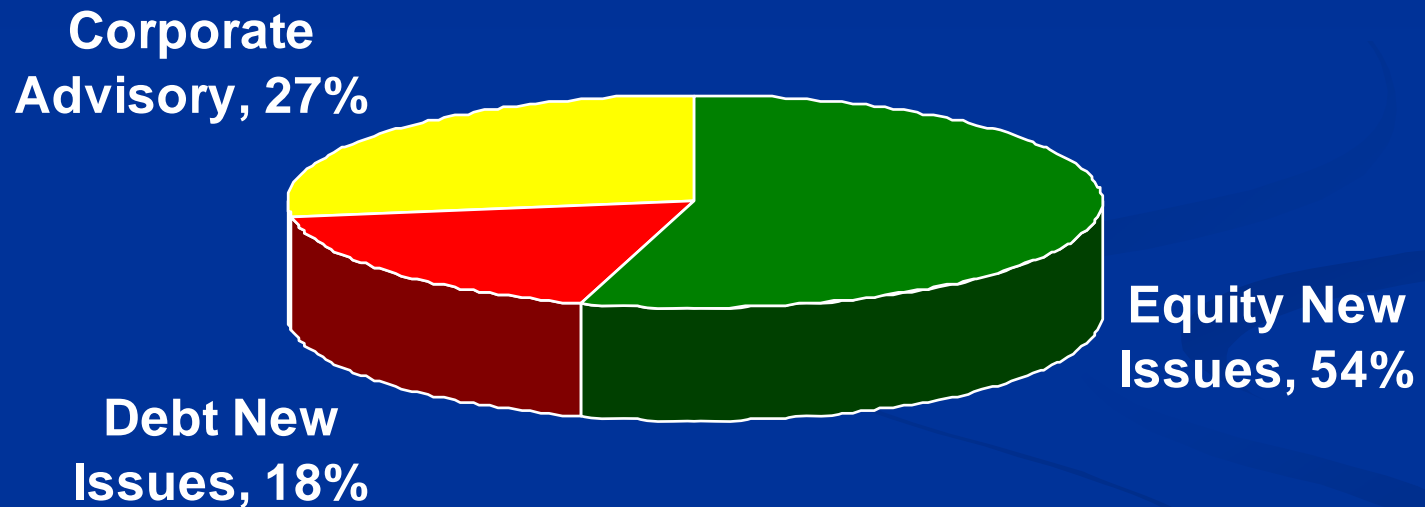
Quarterly



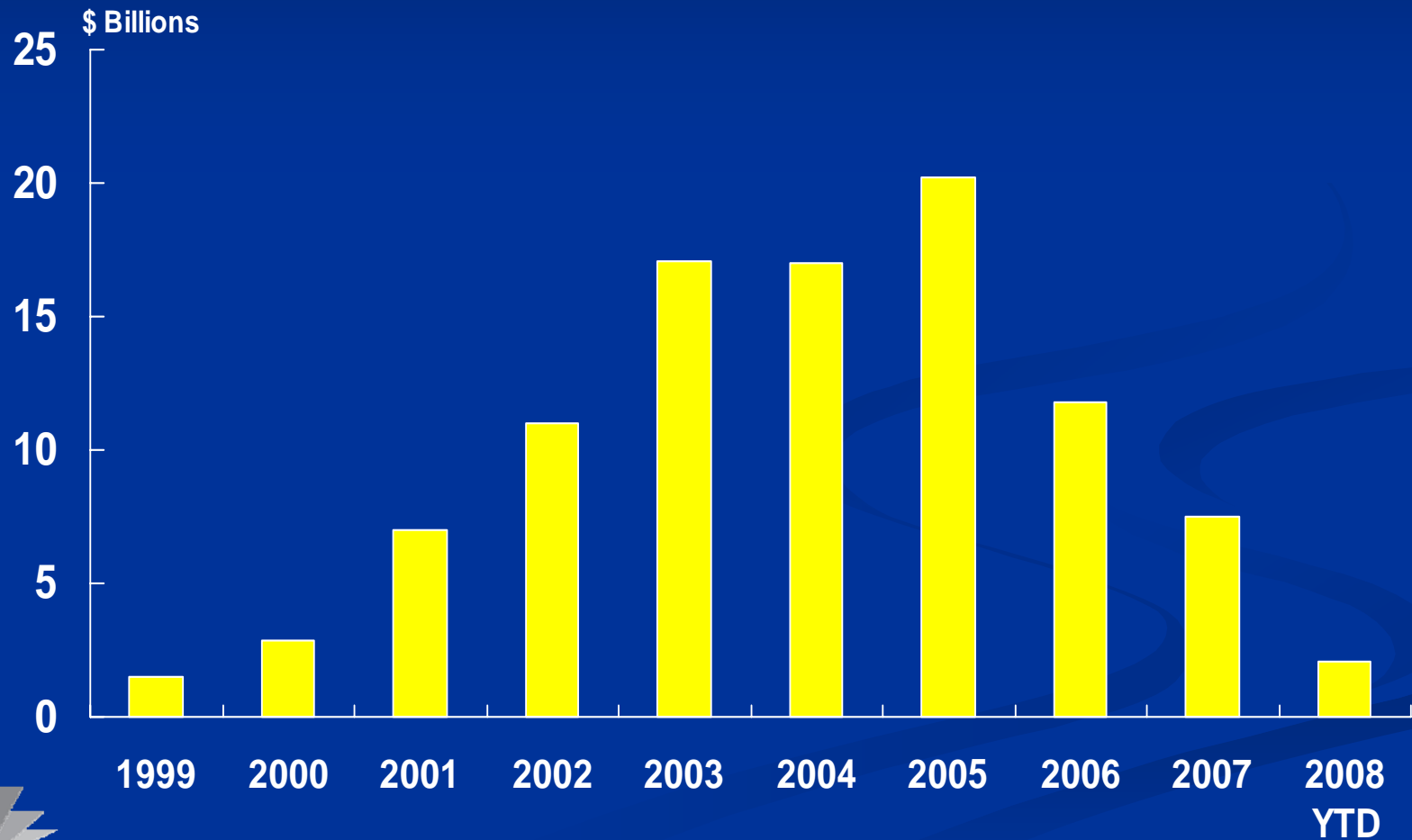
Annual



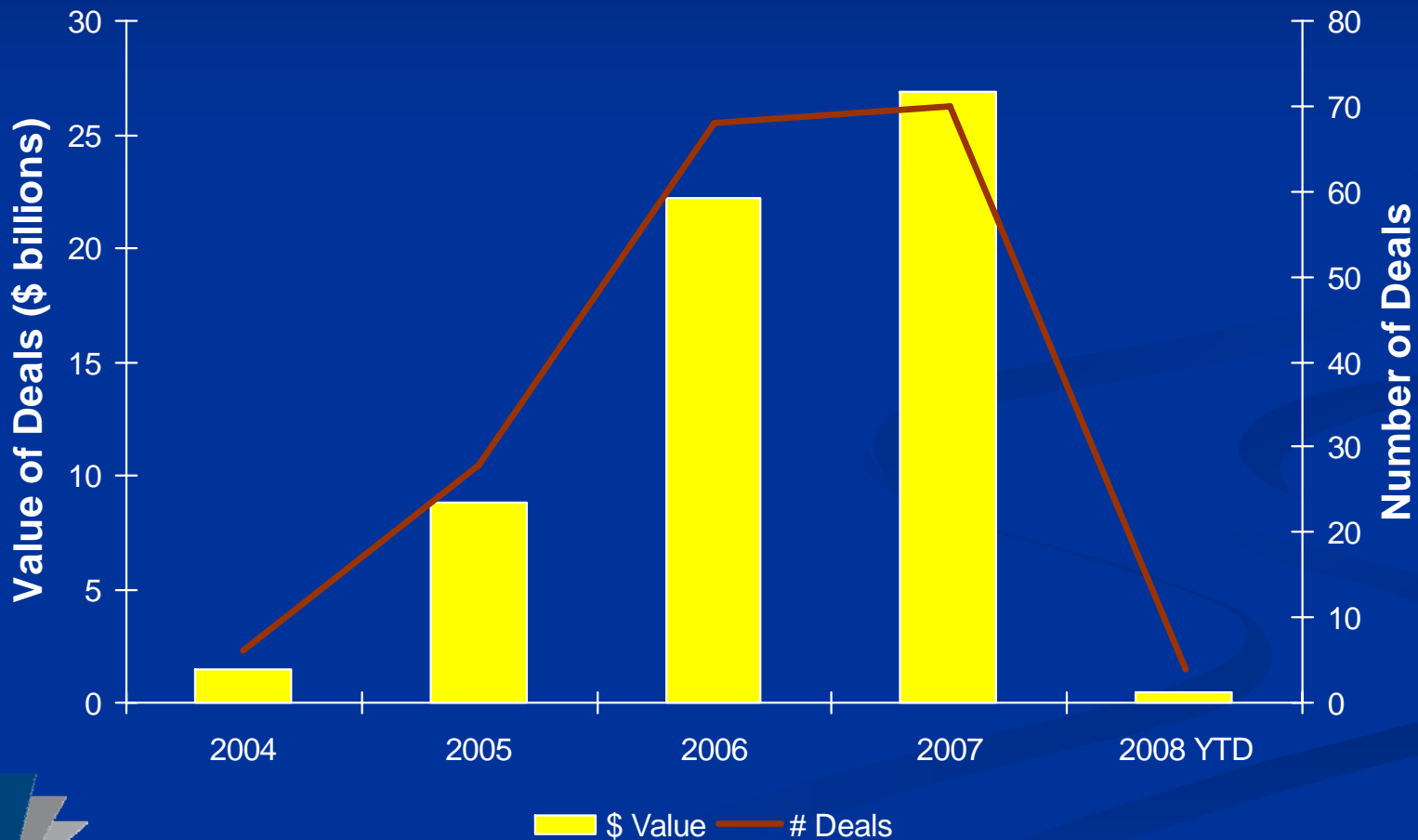
Investment Banking Revenue Mix (2008)



Investment Banking Trust Unit Issuance



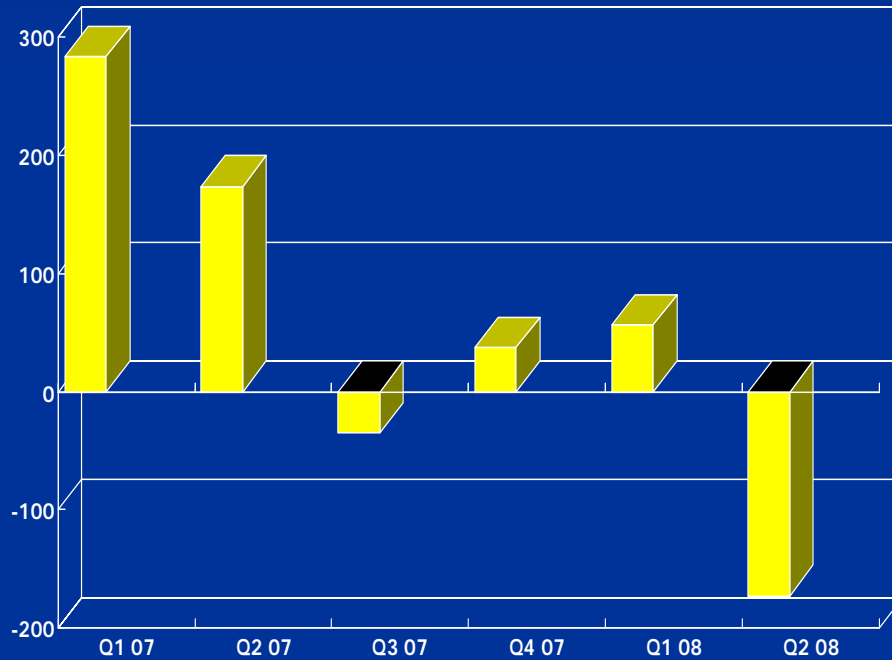
Investment Banking Maple Bond Issuance



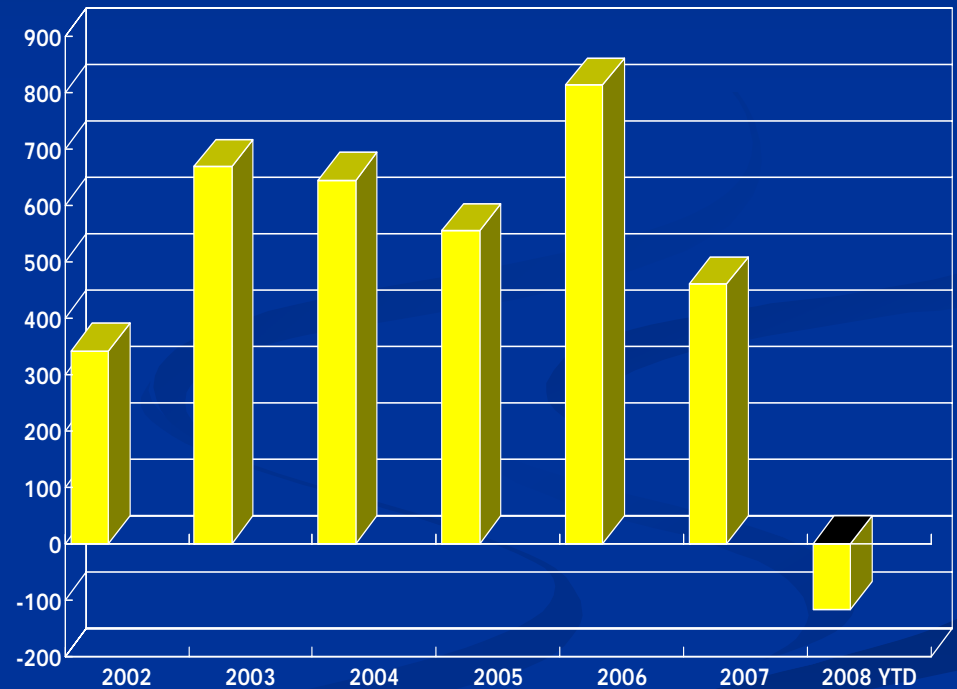
Principal Trading - Equities

(in C\$ Millions)

Quarterly



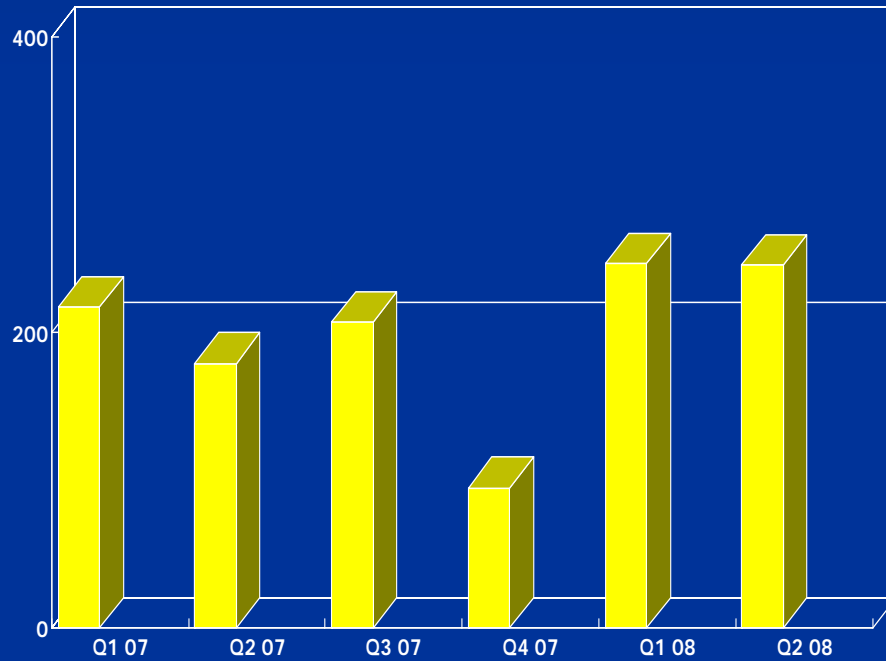
Annual



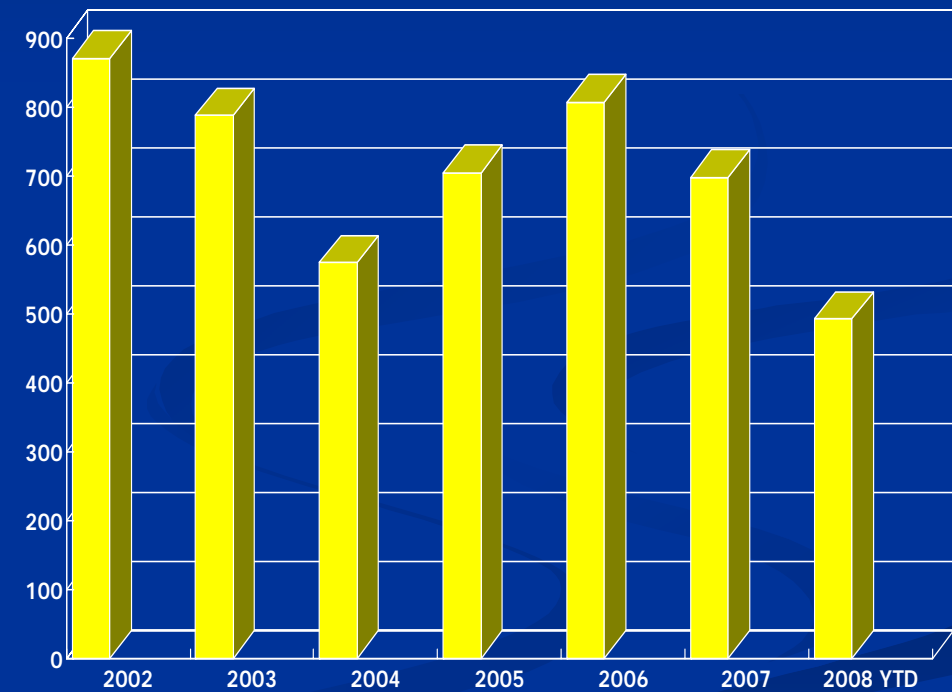
Principal Trading – Debt

(in C\$ Millions)

Quarterly



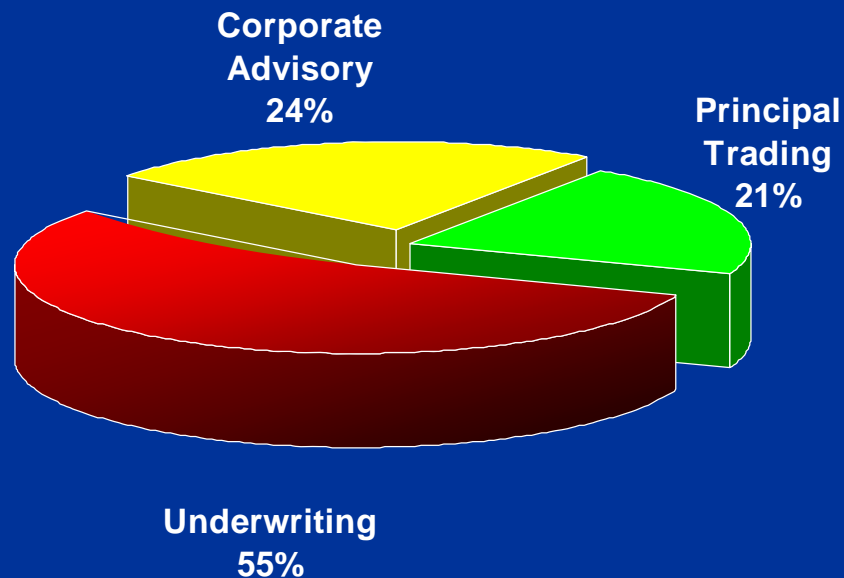
Annual



Advisory Business Makes Bigger Contribution to Institutional Business

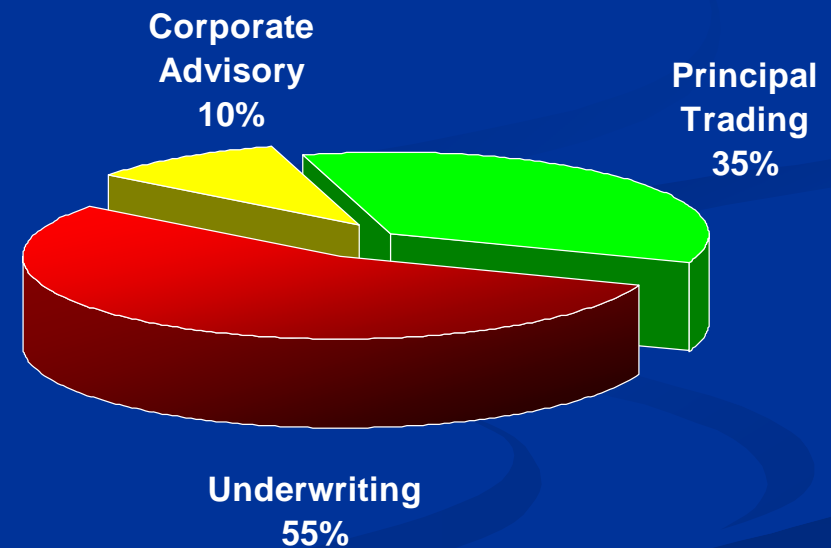
2007

Revenue = \$5.8 B



2003

Revenue = \$4.1B



Summary

- Unsettled markets and concerns about the global financial sector and global economy have adversely impacted industry performance
- Investment Banking and Proprietary Trading activities most heavily impacted by recent market weakness
- The Industry overall has performed relatively well considering the recent market challenges
- Future industry performance will rest heavily on improved market conditions and investor optimism



Current IIAC Advocacy Initiatives



INVESTMENT
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OF CANADA

Tax Free Savings Accounts

- Available January 1, 2009
- Achieved changes to legislation/reporting requirements to ease administrative burden or obtain clarity for industry
 - Transition Provisions on TFSA holder death
 - Less Onerous Reporting to CRA
- Working closely with Industry, Service Bureaus and CRA to address operational considerations



Point of Sale Disclosure

- Joint Forum of Market Regulators Release for comment Point of Sale framework for mutual funds and segregated funds in June 2007
- Delivery of Fund Facts document problematic
- IIAC advocates:
 - Access equals delivery model
 - Removal of perpetual right of rescission
 - Different regime for subsequent purchases of the same mutual fund compared with initial purchase
- Joint Forum's Stakeholder Presentation on June 18, 2008 indicated that many of our recommendations will potentially be incorporated into a revised framework but concerns still exist
- IIAC and other industry associations continue to communicate with regulators
- Expected Release of Revised Framework – Fall 2008



Client Tax Reporting

IIAC Tax Reporting Committee

- Advocacy efforts achieved changes to legislation requiring trusts/LPs to report tax factors sooner
- Despite the legislative change, 2007 Tax Reporting concluded with mixed results
- Work underway to ensure timelier and more accurate reporting in 2008
 - Significant enhancements to issuer worksheets
 - Discussions with CRA and Issuers

IIAC Qualified Intermediary (QI) Committee

- Section 302 (self tenders)
- U.S Adjusted Cost Base Reporting



Shareholder Communications

- National Instrument 54-101 is not effectively controlling the shareholder communication process:
 - Many shareholders are being deluged with unwanted communication and disclosure documents
 - Many shareholders that want mailings either do not receive them, or only receive them if the dealers voluntarily pay for the mailing, instead of the issuer
- The IIAC working group met with the CSA to discuss these issues, and provided the CSA with a formal written submission, including recommendations on how to improve the efficiency of the communication process for clients and the industry.
- The CSA committee reviewing NI 54-101 is expected to make its recommendations to the CSA executive in Fall 2008.



IIAC's 3rd Annual 'Securities Days'

- In November IIAC board members and senior IIAC staff visit Ottawa
- Meetings scheduled with:
 - Governor of Bank of Canada
 - Senior Department of Finance Officials
 - Canada Revenue Agency Officials
 - Members/Committee's of Parliament
- **Purpose:** raise awareness of the importance of the Securities Industry and current issues impacting members, investors and capital markets.



Other

- Client Relationship Model
- Do Not Call Legislation
- Registration Reform Project
- Multiple Marketplaces and Best Price/Execution Requirements
- Institutional Trade Matching
- Algorithmic Trading
- Analyst Standards
- Tax and Accounting Treatment of Broker Warrants
- IIROC Net Position Report



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Questions?

